



# 2019 AGENCY FINANCIAL REPORT

GSA at 70: Excellence in Support of Government

# GENERAL SERVICES ADMINISTRATION WEBSITES

## **MAIN SITE**

[www.gsa.gov](http://www.gsa.gov)

## **TECHNOLOGY**

[www.gsa.gov/technology](http://www.gsa.gov/technology)

## **ACQUISITION**

[www.gsa.gov/acquisition](http://www.gsa.gov/acquisition)

## **TRAVEL RESOURCES**

[www.gsa.gov/acquisition](http://www.gsa.gov/acquisition)

## **REAL ESTATE**

[www.gsa.gov/real-estate](http://www.gsa.gov/real-estate)

## **PROPERTIES**

[www.gsa.gov/real-estate/gsa-properties](http://www.gsa.gov/real-estate/gsa-properties)

## **HISTORIC PRESERVATION**

[www.gsa.gov/real-estate/historic-preservation](http://www.gsa.gov/real-estate/historic-preservation)

## **AGENCY PERFORMANCE REPORT**

[www.gsa.gov/reference/reports/budget-performance/annual-reports](http://www.gsa.gov/reference/reports/budget-performance/annual-reports)

## **AGENCY FINANCIAL REPORT**

[www.gsa.gov/reference/reports/budget-performance/annual-reports](http://www.gsa.gov/reference/reports/budget-performance/annual-reports)

## **JOIN THE CONVERSATION**



[www.facebook.com/gsa](http://www.facebook.com/gsa)



[twitter.com/usgsa](http://twitter.com/usgsa)



[www.youtube.com/usgsa](http://www.youtube.com/usgsa)



[www.instagram.com/usgsa](http://www.instagram.com/usgsa)



[www.gsa.gov/blog](http://www.gsa.gov/blog)





## ABOUT THIS REPORT

This Agency Financial Report (AFR) for fiscal year (FY) 2019 presents the General Services Administration (GSA) financial information relative to our vital mission and stewardship of the resources entrusted to the agency.

The AFR also highlights GSA's priorities, accomplishments and challenges.

In accordance with the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements, GSA produces the following reports: (i) an AFR issued by November 19, 2019 and (ii) an Annual Performance Report (APR) submitted with the GSA Congressional Budget Justification to be issued by February 3, 2020. The AFR and the APR will be available online at:

<https://www.gsa.gov/reference/reports/budget-performance/annual-reports>

### How this Report is Organized

This AFR provides financial and performance information for the FY beginning October 1, 2018, and ending on September 30, 2019, with comparative prior year data, where appropriate. The AFR demonstrates GSA's commitment to our mission and accountability to Congress and the American people.

This report presents GSA's mission, accomplishments, and challenges. The AFR begins with a message from our Administrator, Emily Murphy, followed by three main sections:

Section 1: Management's Discussion and Analysis	Section 2: Financial Section	Section 3: Other Information
<ol style="list-style-type: none"> <li>1. Organization</li> <li>2. Performance Summary</li> <li>3. Financial Statements Summary and Analysis</li> <li>4. GSA Management Assurances</li> </ol>	<ol style="list-style-type: none"> <li>1. Letter from the Chief Financial Officer</li> <li>2. Inspector General's Transmittal Memorandum of the Independent Auditors' Report</li> <li>3. The Independent Auditors' Report</li> <li>4. Consolidated Financial Statements</li> <li>5. Notes to the Financial Statements</li> <li>6. Consolidating Financial Statements</li> <li>7. Required Supplemental Information (Unaudited)</li> </ol>	<ol style="list-style-type: none"> <li>1. Inspector General's Assessment of Management Challenges &amp; GSA's Responses</li> <li>2. Summary of Financial Statement Audit and Management Assurances (Unaudited)</li> <li>3. Payment Integrity (Unaudited)</li> <li>4. Fraud Reduction Report</li> <li>5. Other GSA Statutorily Required Reports (Unaudited)</li> <li>6. Reduce the Footprint (Unaudited)</li> <li>7. Civil Monetary Penalties Inflation Adjustment</li> <li>8. Acronyms and Abbreviations</li> </ol>





# TABLE OF CONTENTS

Frequently Asked Questions	5
Letter from the Administrator	8
How GSA Benefits the Public	10
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</b>	<b>15</b>
Brief Overview of The AFR	17
Organization	18
Performance Summary	22
Financial Statements Summary and Analysis	29
Federal Buildings Fund	30
Acquisition Services Fund	31
GSA Management Assurances	33
GSA Management and Internal Control Program	34
Looking Forward	39
<b>FINANCIAL SECTION</b>	<b>41</b>
Letter from the Chief Financial Officer	43
Independent Auditors' Report	47
Consolidated Financial Statements	54
Consolidated Balance Sheets	54
Consolidated Statements of Net Cost	55
Consolidated Statements of Changes in Net Position	56
Combined Statements of Budgetary Resources	57
Notes to the Financial Statements	58
Consolidating Financial Statements	95
Consolidating Balance Sheets	95
Consolidating Statements of Net Cost	96
Consolidating Statements of Changes in Net Position	97
Combining Statements of Budgetary Resources	98
Required Supplementary Information (Unaudited)	99
<b>OTHER INFORMATION (UNAUDITED)</b>	<b>101</b>
Inspector General's Assessment of GSA's Management and Performance Challenges For FY 2020	103
GSA Responses to the Office of Inspector General's Management Challenges for FY 2020 (Unaudited)	132
Summary of Financial Statement Audit and Management Assurances (Unaudited)	150
Payment Integrity (Unaudited)	152
Fraud Reduction Report (Unaudited)	156
Other GSA Statutorily Required Reports (Unaudited)	166
Reduce the Footprint (Unaudited)	167
Civil Monetary Penalties Inflation Adjustment (Unaudited)	168
Acronyms and Abbreviations	169
Endnotes	172
Acknowledgments	173





## FREQUENTLY ASKED QUESTIONS

This section is intended to be a simplified explanation of the complex and highly specialized area of Government budgeting and accounting. Detailed guidance is provided through the [Government Accountability Office \(GAO\)](#), [Office of Management and Budget](#), and [the Department of the Treasury](#).

### **Why does GSA prepare an agency financial report?**

The Chief Financial Officer Act of 1990 requires GSA to prepare annual reports containing audited financial statements and performance reporting. The Office of Management and Budget provides detailed guidance regarding the contents and formats to be used for these annual reports. Following that guidance, GSA prepares this Agency Financial Report (AFR) and a separate Agency Performance Report (APR).

### **What are the key parts of an AFR?**

Agency financial reports can be daunting to read and understand. You will be relieved to learn that you can get a big picture understanding of an organization by reviewing the following parts of the AFR:

- The Auditors' report tells you whether the financial statements are materially correct in accordance with Generally Accepted Accounting Principles (GAAP).
- Financial statements are where you find the actual financial results for the year and include:
  - the balance sheet,
  - the statement of net cost,
  - the statement of changes in net position, and
  - the statement of budgetary resources.
- Notes to the financial statements provide additional details and context concerning the numbers reported.
- The management's discussion and analysis section is where agency leadership provides general background about the agency, including the organizational structure, the missions and activities of our major programs financial and performance results and identifies factors that may affect the agency's operations. It is important to note that this section of the AFR is not audited by the independent auditors.
- Other information is where you can find other relevant information about the agency, including the agency's compliance with laws and regulations. This section of the AFR is also not audited by the independent auditors.

### **Why are Government financial statements different from commercial companies'?**

With the unique missions and purpose of the Federal Government, financial reporting focuses on elements such a stewardship over assets, responsibilities for various liabilities, the cost of program activities, and the budgetary control process. One difference between commercial companies and Federal agencies is that the Federal agencies do not exist to generate profit. In fact, most Federal activities do not generate revenues to

fund program operations, and instead depend upon Authorization and Appropriation acts. According to GAO, the objectives of Federal financial reports are for agencies to demonstrate their accountability, provide useful information, and help internal users of financial information to improve the Government's management. Federal Government financial statement readers should bear in mind that our goal is to demonstrate good financial stewardship over the assets entrusted to us, whereas private industry financial statement users may have an interest in investing in a company and want assurances that the information provided is timely, accurate, and can be relied upon.

#### **Does GSA follow generally accepted accounting principles (GAAP)?**

Yes, GSA follows the requirements of GAAP for Federal financial reporting. The Federal Accounting Standards Advisory Board is designated by the American Institute of Certified Public Accountants as the source of GAAP for Federal reporting entities, and issues the accounting standards and principles for the United States Government.

#### **How do you read a balance sheet?**

The balance sheet shows the agency's assets and liabilities at a fixed point in time. Most of the terms on the balance sheet are familiar to users of financial statements, (e.g. assets — such as accounts receivable, property, and equipment — and liabilities — such as accounts payable and actuarial liability). On a Federal balance sheet, there is one unique term: "Fund Balance with Treasury." Akin to bank accounts, the fund balances represent the amount of funding in the agency's accounts within the U.S. Treasury that is available to spend for the purposes for which the funds were approved by Congress.

#### **How do you read a statement of net cost?**

The statement of net cost shows the results of operations for the major business areas of GSA. It begins with the revenue line and subtracts various expenses to arrive at net cost. A commercial company would call this type of document an income statement. As a reflection that most Federal programs generate little to no resources on their own, expenses are offset by revenues to determine the net cost for the agency.

#### **What is a statement of changes in net position?**

The statement of changes in net position is similar to a statement of changes in equity for a commercial firm. The statement reflects the impact that changes in assets and liabilities have on the financial position of each fund. During FY 2019, GSA generated additional results from operations, received appropriations, used appropriations, and transferred funds to (or from) the Treasury and other Federal agencies.

#### **What is a statement of budgetary resources?**

The statement of budgetary resources is unique to the Federal Government, displaying the key components of the budgetary control process. The statement shows the various sources of budgetary authority and resources provided to fund agency activities. Private industry has no similar statement or set of requirements to establish and control budgets in this manner.



**What are unobligated balances?**

The unobligated balance is the portion of total budget authority provided as financial resources, where no actions have been taken to spend or obligate funding to pay for goods or services, nor bind the Government to pay liabilities. Limitations in laws also create further categorization of unobligated balances into amounts being “available” to spend on new obligations, “unavailable” due to various limitations, or “expired” and no longer available for new obligations.

Congress often provides agencies with funds to obligate or spend in one fiscal year (starting October 1 and ending September 30). These funds are referred to as a one-year appropriation account, and the budget authority expires and can no longer be used to incur new obligations after September 30 of the year the appropriation was made.

Congress may also provide agencies with authority to obligate funds over 2 or more years, referred to as multi-year funds or may not limit the amount of time funding remains available, known as no year funds.

**What are cumulative results of operations?**

Cumulative results of operations are a component of net position on balance sheets representing the historical total for a fund, summing revenues, expenses, gains, losses, transfers of assets and liabilities from other agencies, and other financing sources provided to a fund since its inception. It is similar in concept to retained earnings for a commercial firm.

**What are appropriations?**

Appropriation means a provision of law (not necessarily in an appropriations act) authorizing the expenditure of funds for a given purpose. For a more detailed explanation of appropriations the reader may access OMB's guidance document, Circular A-11<sup>1</sup>.

**What are outlays?**

An outlay means a payment to liquidate an obligation (other than the repayment of debt principal or other disbursements that are “means of financing” transactions). Outlays generally are equal to cash disbursements but also are recorded for cash-equivalent transactions, such as the issuance of debentures to pay insurance claims, and in a few cases are recorded on an accrual basis such as interest on public issues of the public debt. Outlays are a primary measure of Government spending.

---

<sup>1</sup> Circular A-11 can be found on line at <https://www.whitehouse.gov/wp-content/uploads/2018/06/s20.pdf>

## LETTER FROM THE ADMINISTRATOR



I open this letter with a great sense of pride about the excellent work performed by the U.S. General Services Administration (GSA) across the country. Our agency's expertise, ideas, and innovative solutions are wide-ranging and touch nearly every aspect of the Federal Government's operation.

As GSA celebrates its 70th anniversary, we recognize our responsibilities, authorities, and accountability have grown exponentially to better meet the evolving needs of our agency customers. Today, GSA's mission statement continues to reflect our unique position to help the Federal Government best serve the American people. We are committed to our mission of delivering value and savings in real estate, acquisition, technology, and other-mission support services across Government.

Four strategic goals provide focus for GSA's work:

- Save taxpayer money through better management of Federal real estate.
- Establish GSA as the premier provider of efficient and effective acquisition solutions across the Federal Government.
- Improve the way Federal agencies buy, build, and use technology.
- Design and deliver expanded shared services within GSA and across the Federal Government to improve performance and save taxpayer money.

As we address these goals and implement GSA's Strategic Plan, Federal agencies are better able to deliver on their missions, taxpayer dollars are saved and invested more strategically, and the Federal Government becomes more responsive to the evolving needs of the American people.

Excellence in support of Government is a clear theme that has resonated through GSA's 70 years.

At a high level, excellence means rigorously managing the more than \$60 billion in annual procurement spending across the Government and the 369.5 million square feet of property we oversee on behalf of our tenant agencies.

Excellence also means delivering mission-support services across the Federal Government through initiatives such as the President's Management Agenda (PMA) and the Administration's Government reform plan. GSA provides expertise and innovation to customer agencies by improving the Federal marketplace buying experience; modernizing Federal IT by expanding access to cutting-edge, secure technologies; and creating substantial savings in lease costs for customer agencies while further reducing the Federal Government's physical footprint through improved utilization rates and disposal of excess property.

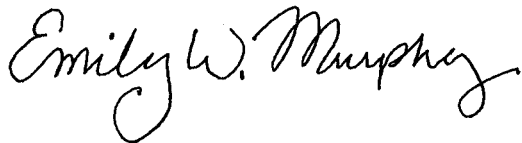
I'm pleased to share GSA's financial results and the progress we've made this year in delivering services, solutions, and value to the American taxpayer. The Agency Financial Report (AFR) outlines GSA's accomplishments and challenges, as well as management's accountability for our stewardship of the valuable



taxpayer dollars entrusted to us. The AFR also fulfills the requirements of OMB Circular A-136, Financial Reporting Requirements.

In the Management Assurances section of this report, GSA assessed the effectiveness of internal controls over operations, systems, and reporting. GSA can provide reasonable assurance that internal controls operated effectively in each of these areas throughout the year. Management relies on these internal controls to identify material weaknesses in financial and program performance areas, and to identify corrective actions as required. In accordance with the Reports Consolidation Act of 2000, I've assessed the financial and performance data used in this report and believe them to be complete and reliable. As in fiscal year (FY) 2018, GSA does not have any material weaknesses in its internal controls.

For seven decades, GSA has provided valuable service and support to agency customers; we continue that legacy of service as we move into FY 2020 and beyond. I appreciate the opportunity to work with the talented and dedicated GSA workforce who deliver on our agency's mission every day with integrity and accountability.

A handwritten signature in black ink, reading "Emily W. Murphy". The signature is written in a cursive, flowing style.

Emily W. Murphy  
Administrator  
November 13, 2019

## HOW GSA BENEFITS THE PUBLIC

The U.S. General Services Administration (GSA) does more than just keep pace with evolving needs of the Federal Government, we have a long-standing tradition of being a leader and change agent. Since our founding on July 1, 1949, we've delivered on our commitment as stewards of the public trust by eliminating wasteful duplication, reducing costs, streamlining acquisition, distributing supplies, increasing competition for American businesses, and centralizing the management of Federal facilities.

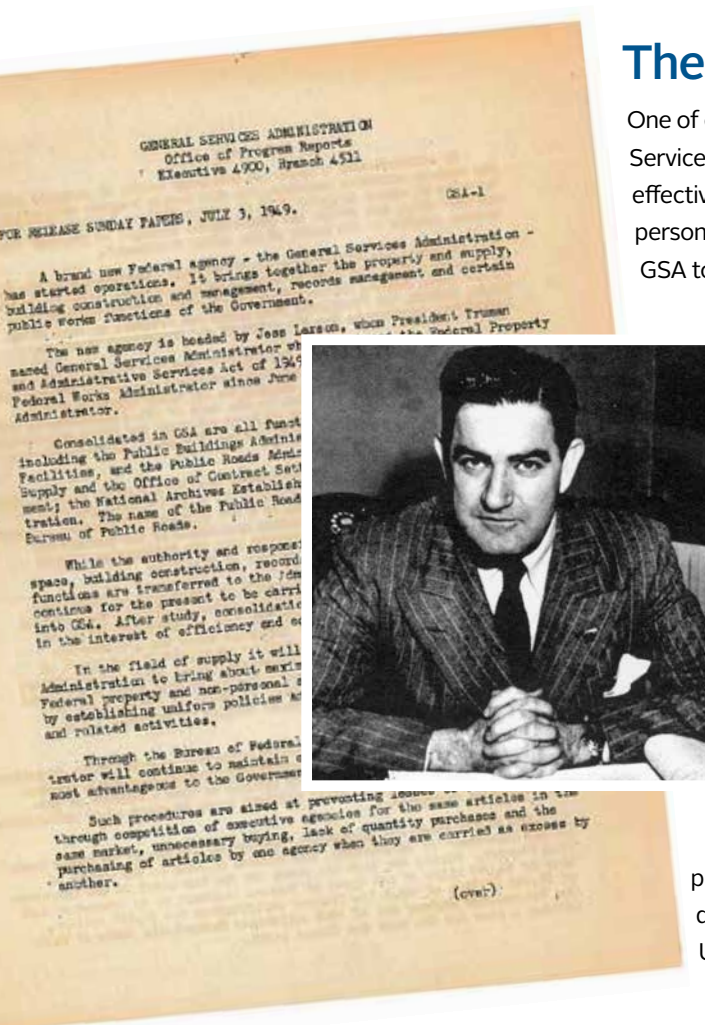
In the last 70 years, our responsibilities and services have grown exponentially to better serve the changing needs of our agency customers and the American people. Today, our expertise, ideas, and innovation are wide-ranging and touch nearly every aspect of Federal Government's operation as we pursue our core mission: to deliver value and savings in real estate, acquisition, technology, and other mission-support services across Government.

### Then

One of our founding documents, the Federal Property and Administrative Services Act of 1949, demonstrated the intent of Congress to provide a cost-effective and efficient system for Government procurement and supply of personal property and non-personal services. Congress further intended for GSA to be the centralized management, policy, and oversight agency for the Federal Government and to be a mandatory source of products and services across Government.

In our very first annual report, then-GSA Administrator Jess Larson acknowledged not only the diversity of GSA's portfolio, but also the general feeling that "large savings could be achieved through common direction of related service functions, and the prescription of uniform policies and procedures for property management."

Over the decades, the agency's reach across the Federal Government has been significant: creating a Government-wide intercity telephone system; pioneering cloud computing; championing Federal building design standards; spearheading research around open workspaces; standing up the consumer product information center; and creating DATA.gov to support transparency of and access to Government information. GSA provides solutions and expertise that support an effective, digital, data-driven, Government that enhances the critical mission of the United States Government.



**Left:**  
U.S. General Services Administration's First Press Release  
July 3, 1949

**Right:**  
First Administrator of GSA, Jess Larson



## Now

The Federal landscape and marketplace have evolved during the last 70 years to provide a wide range of solutions for those with Federal acquisition, space, and service requirements. Even so, GSA's commitment to its mission remains steadfast. Our commitment to supporting our Federal customers and partners by providing cost-effective and high-quality services holds firm. We provide the physical space, supplies, technical innovation, products, and services essential to operating the Federal Government. As described in GSA's 2018-2022 Strategic Plan, our team is filled with leaders holding unique skills across a modern workplace environment: procurement, technology, property management, mission support, and shared services that are at the core of what we do to deliver value and savings across Government. Every day, GSA helps agencies buy smarter and create a more agile and responsive Government to help make a difference in communities across the country.

At a time when GSA's mission is more important than ever before, our employees are focused on four strategic goals: (1) Saving taxpayer money through better management of Federal real estate; (2) establishing GSA as the premier provider of efficient and effective acquisition solutions across Government; (3) improving the way Federal agencies buy, build, and use technology; and (4) designing and delivering expanded shared services within GSA and across the Federal Government to improve performance and save taxpayer money.

## Well-Managed Real Estate

With more than 369.4 million rentable square feet in more than 8,800 locations, GSA manages one of the largest and most diversified real estate portfolios in the world. In keeping with its first strategic goal to save taxpayer money through better management of Federal real estate, the agency supports safe and productive workplaces by strategically managing and preserving Government buildings, and also leases and manages commercial real estate. GSA manages real property in all 50 states, five U.S. territories, and the District of Columbia to meet the varied missions of our Federal agency partners. In addition to providing workspace to customer agencies, GSA is responsible for promoting effective use of Federal real property assets and adopting innovative workplace solutions to support the productivity of Federal employees.

In FY 2019, GSA disposed of 167 assets on behalf of the Federal Government, generating more than \$98.65 million in proceeds; these disposals resulted in a reduction of more than 879 thousand gross square feet and 854.6 acres of land from the Federal inventory. Many of these former Federal properties found new uses, fueling local economic development and community revitalization efforts.



**Top:**  
*U.S. General Services Administration,  
Central Heating Plant (circa 1933) - added to  
Historical Register in 2008. Washington, DC*

**Bottom:**  
*U.S. General Services Administration  
Edith Green-Wendell Wyatt Federal Building  
Portland, OR*

In FY 2019, GSA provided to the public updated data from the Federal Government's real property inventory. The Federal Real Property Management System contains an inventory of Federal properties under the custody and control of executive branch agencies. This database improves transparency to the Federal Government's real property footprint and assists agencies by making it easier to identify and dispose of or better use underutilized property. For example, the updated data includes new data fields, such as the height of a building or structure, which helps industries identify Federal properties on which companies could potentially install communications infrastructure.

## Modern Acquisition



GSA's second strategic goal is to serve as the premier provider of efficient and effective acquisition solutions across Government. Our acquisition solutions offer private sector professional services, equipment, supplies, telecommunications, and information technology to Government organizations and the military. In 2019, GSA leadership focused on simplifying and streamlining access to the Federal marketplace for buyers and vendors, making operations more efficient, and modernizing systems and processes.

GSA uses and leverages the collective buying power of the Federal Government which facilitates more than \$60 billion in business volume a year in the procurement of goods and services in support of agency customers. At the same time, GSA's acquisition teams focus on reducing contract duplication and allowing customer agencies to more effectively use their resources to fulfill their missions. For example, GSA offers a broad range of disaster support to State and local governments as well as Federal agencies like FEMA. The GSA Advantage!® website provides a host of emergency supplies and services that can be procured. Our acquisition efforts are closely aligned with FEMA and other stakeholders and our own Office of Mission Assurance is working year-round to plan for expected and unexpected events to ensure effective logistics for all manner of emergency needs.



**Top:**  
U.S. General Services Administration Supply Center 1969, Clearfield, UT

**Bottom:**  
U.S. General Services Administration oversees the issuance of 3.5 million charge cards - GSA SmartPay 3 Card

GSA's efforts to streamline services across the Government are also seen in its signature City Pair travel program. Led by the Federal Acquisition Service, the City Pair program is one of the world's largest negotiated contract and managed airline program. The contract delivers savings to all Federal agencies through pre-negotiated and firm-fixed-price rates. In FY 2019, the program estimates, on average, a 51-percent discount on comparable commercial travel fares. The discounted fares result in approximately \$2 billion in savings annually to the American taxpayer over the cost of full-price commercial fares.

Additionally, GSA's Office of Small Business Utilization manages programs designed to increase small business contracting opportunities with the Federal Government. GSA works diligently to ensure contracting opportunities are available to small disadvantaged businesses, businesses owned by women and service-disabled veterans, as well as those operating in historically underutilized geographic areas. In 2019, GSA awarded or maintained contracts with this vendor community valued at \$1.8 billion for goods and services.

## Innovative Information Technology

GSA's third strategic goal is to improve the way Federal agencies buy, build, and use technology. The modernization of the Federal Government's IT infrastructure and applications are important priorities of the Administration.

Technology Transformation Services is part of GSA's Federal Acquisition Service. Its mission is to improve the lives of the public and public servants by transforming how Government uses technology.

In partnership with the White House Office of American Innovation, GSA expanded its IT Modernization Centers of Excellence in FY 2019. Working side-by-side with tech leaders at the U.S. Department of Agriculture, the U.S. Department of Housing and Urban Development, the U.S. Office of Personnel Management, the Consumer Protection Safety Commission and the Department of Defense's Joint Artificial Intelligence Center, GSA is helping assess agencies' technology resources and needs. This assessment is not limited to considering the hardware and software used by agencies; instead, it takes a holistic approach and also includes a review of human resources and capital requirements prior to recommending solutions to enable agencies to better deliver on their missions.

At the U.S. Department of Veterans Affairs, a GSA Presidential Innovation Fellow used machine learning to build a tool that can automate the initial classification of many benefits claims forms, reducing the average time to establish disability claims by several days. In its first week of implementation, almost 50 percent of 8,000 forms processed with the tool were established automatically, compared to less than 2 percent before the model was put into production.

Another significant agency project, led by the Data.gov team, gives agencies the tools to make their data sets available to the public. The OPEN Government Data Act, part of the Foundations for Evidence-based Policymaking Act of 2018, mandates Federal agencies to publish all their data publicly. The team assisted Cabinet-level agencies in implementing the Open Government Data Act and will support more than 100 additional agencies as they open their data sets to the public. In addition, the law requires the Federal Data.gov Catalog to develop and maintain an online repository of tools, best practices, and schema standards to facilitate the adoption of open data practices across the Federal Government. The team has established this repository at <https://resources.data.gov>.

GSA's Office of the Chief Financial Officer launched its Robotic Process Automation (RPA) program in 2018 with the goal of enabling employees to focus on higher-value work, in support of the President's Management



**Top:**  
*U.S. General Services Administration's Automatic Data Processing Center, circa 1967*

**Bottom:**  
*GSA's third strategic goal is to improve the way Federal agencies buy, build, and use technology.*



Agenda, Cross-Agency Priority Goal 6. During FY 2019, this initiative expanded to include nearly 30 bots, which support cross-GSA operations and allow staff to perform more important work. The bots are helping to review, reconcile, analyze, and report across multiple financial processes — from audit readiness to purchase card management. In addition, GSA launched the Federal RPA Community of Practice (CoP) to accelerate RPA adoption across the Federal Government by addressing common obstacles and providing knowledge sharing and mentoring to other Federal agencies. Since its inception, the CoP has grown to include more than 600 members and over 40 Federal agencies, demonstrating the value RPA holds for the Government.

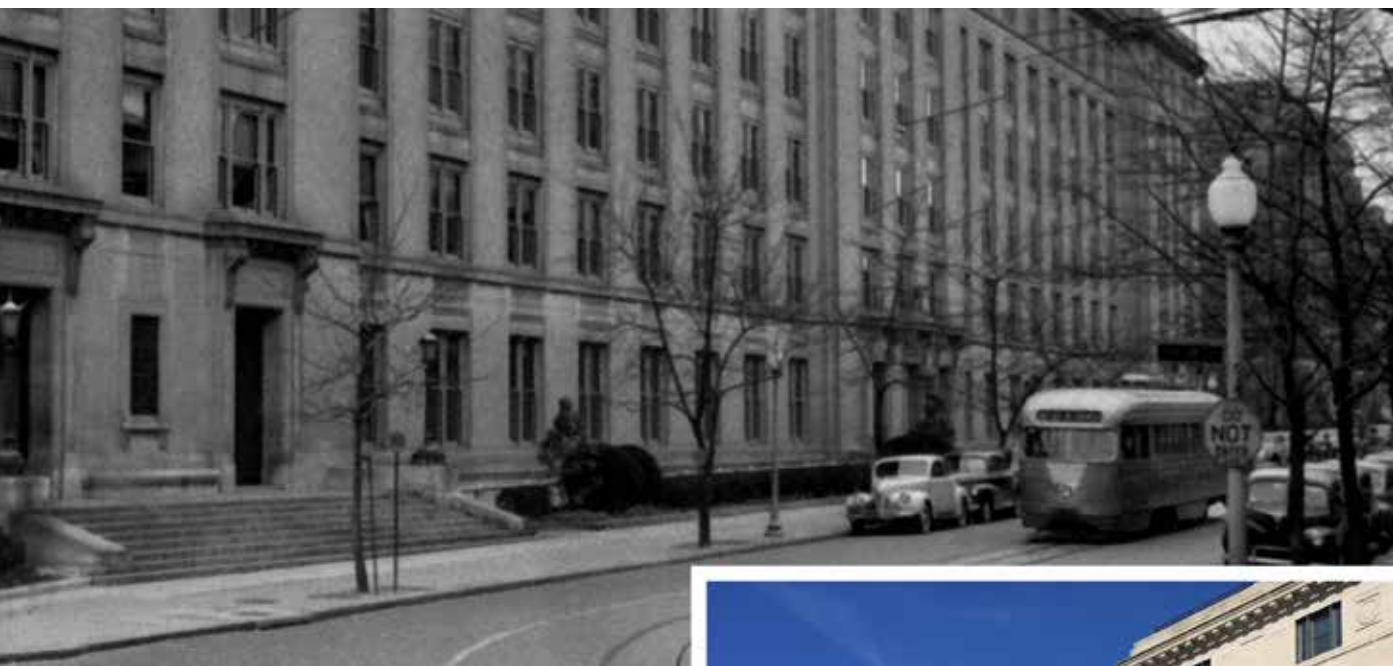
GSA also supports the operation and administration of the Technology Modernization Fund (TMF). First funded in fiscal year 2018, the TMF is an innovative program that provides upfront funding that allows Federal agencies to move from outdated IT systems to more secure, modern platforms. This in turn enables agencies to deliver services to the American public more quickly, better secure sensitive systems and data, and use taxpayer dollars more efficiently. In FY 2019, the Technology Modernization Board reviewed more than 30 initial project proposals from Federal agencies totaling more than \$400 million in requested funds and approved 7 modernization projects totaling \$89 million in project awards.

## Improved Operations

Implementing expanded shared services across the Federal Government toward improved performance and increased taxpayer savings is GSA's fourth strategic goal. In order to improve the way Government serves the American public, Government is transforming the way it does business internally. We're discovering ways to share systems and people who support administrative functions because it makes good business sense. This kind of flexibility not only increases the efficiency of existing operations, but also allows agencies to direct more resources toward their core missions. According to the President's Management Agenda Cross-Agency Priority (CAP) Goal Action Plan for FY 2019 Q3, Federal agencies spend more than \$25 billion every year on administrative services such as processing hiring transactions, managing finances, closing contracts, and processing payroll. In many cases, agencies have addressed their needs by creating unique systems and processes, resulting in significant duplication across Government. For example, there are currently more than 100 systems to track the time and attendance of Federal employees. GSA is leading the effort to adopt quality shared services and, where appropriate, provide Government-wide leadership. Through this process, GSA will facilitate the creation of new standards defining which services make the most sense to share, as well as the technology needed to support the services, while ensuring GSA meets agency needs in a standard, consistent way.

## Conclusion

Around the country and at every level across the agency, the people of GSA understand and take immense pride in supporting the needs of our Federal customers as well as those of the American people. Our people have a passion for delivering services and actionable solutions that deliver value across the local, State and Federal Governments. We look forward to continuing to deliver innovative solutions and increased savings in the management of real estate, acquisition, technology, and other mission-support services across Government.

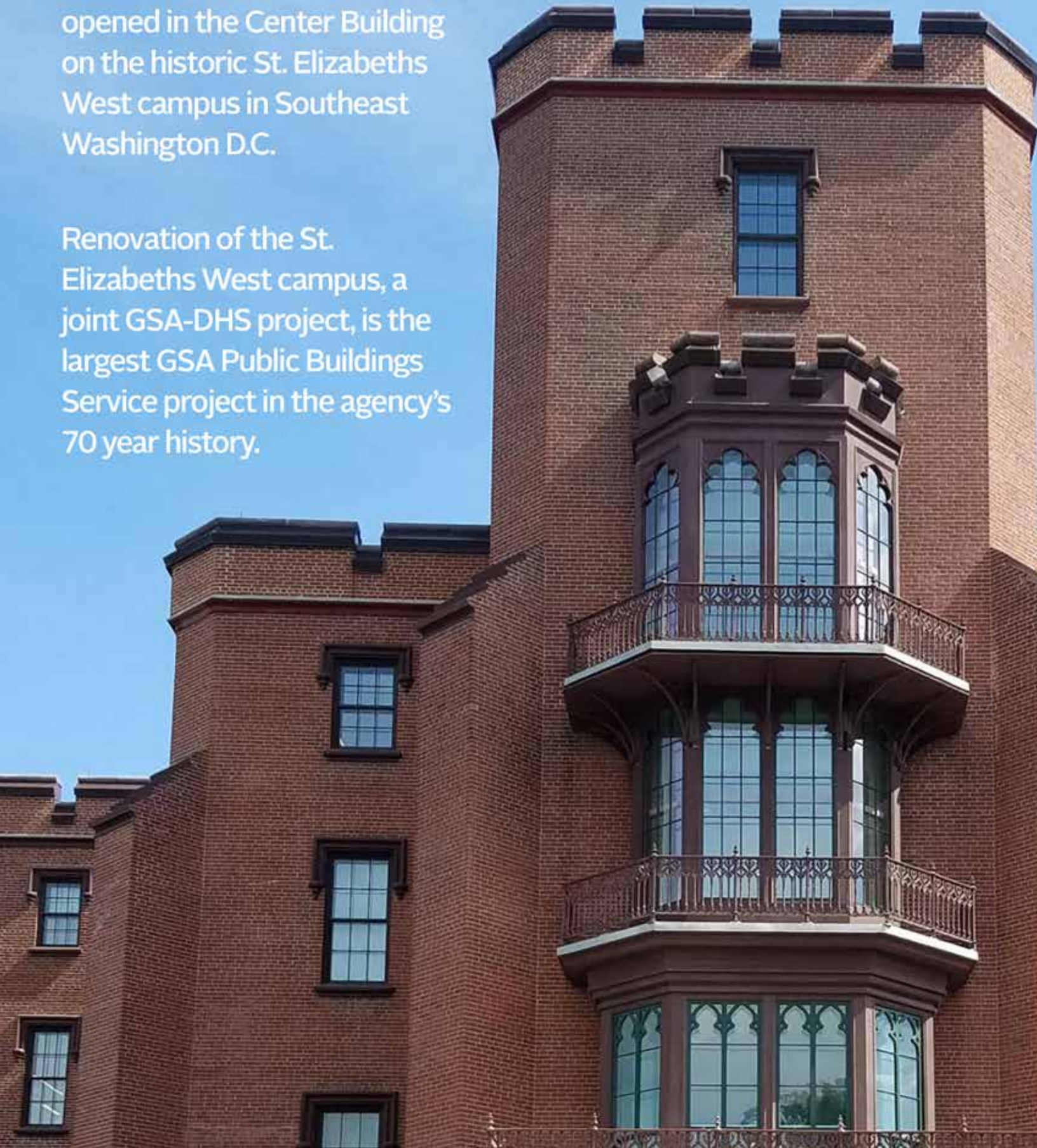


## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**



In 2019, the new Department of Homeland Security headquarters officially opened in the Center Building on the historic St. Elizabeths West campus in Southeast Washington D.C.

Renovation of the St. Elizabeths West campus, a joint GSA-DHS project, is the largest GSA Public Buildings Service project in the agency's 70 year history.





## BRIEF OVERVIEW OF THE AFR

The purpose of the GSA FY 2019 AFR is to inform the President, Congress, and the American people how GSA used Federal resources in FY 2019 to reliably deliver cost-effective real estate, acquisition, and technology services to the Federal departments and agencies it serves. Providing these services at a good value to our Federal customers allows them to focus their resources on meeting their core missions. GSA chose to produce both an AFR and an APR for FY 2019 and will post both reports on GSA.gov under [Annual Reports](#).

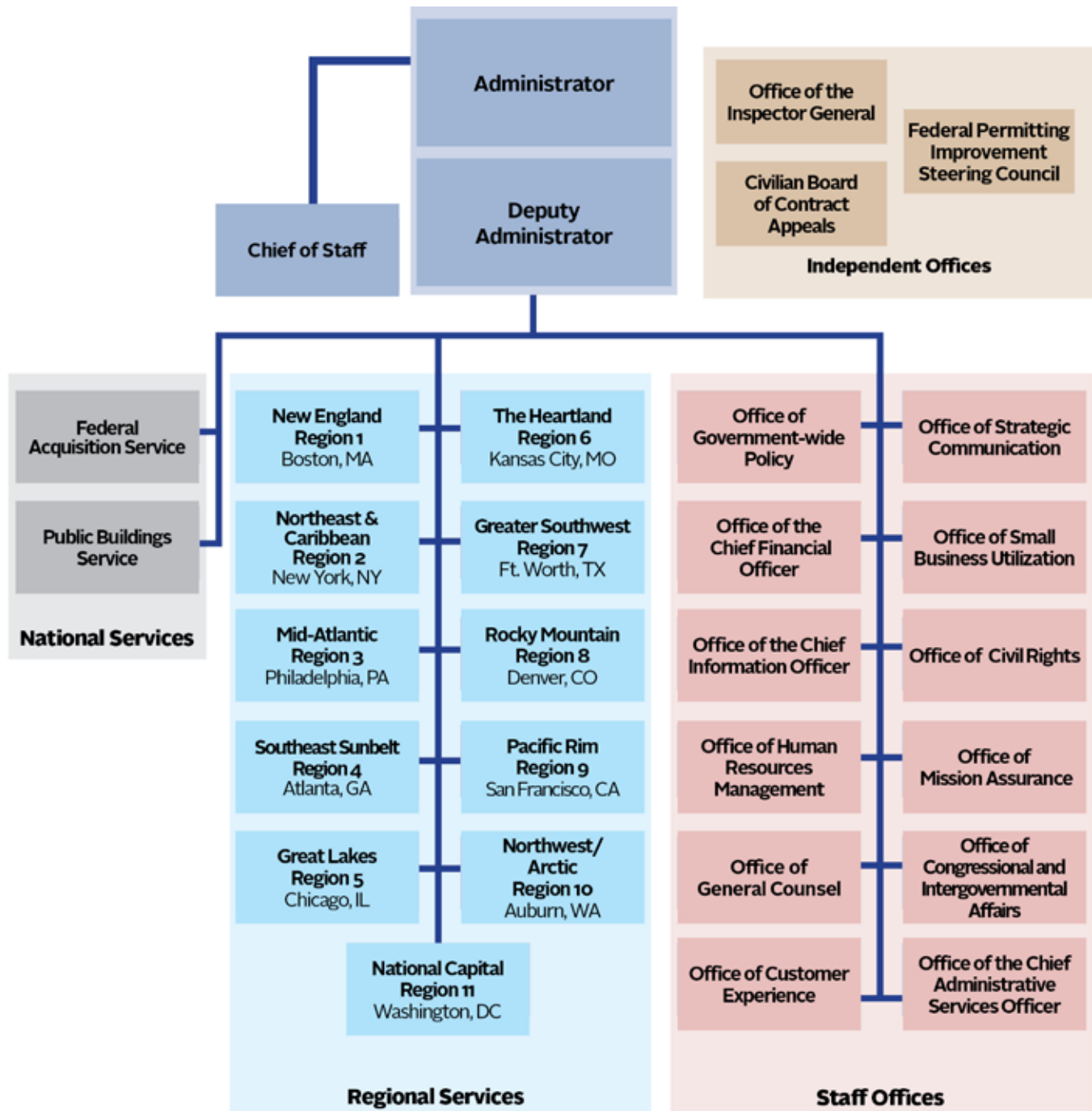
This AFR provides high-level financial and highlighted performance results with assessments of controls, a summary of challenges, and GSA stewardship information. The report is prepared in compliance with various laws applicable to Federal financial reporting and in conformance with implementing guidance issued by OMB. The primary laws and guidance include:

- CFO Act of 1990;
- Federal Managers Financial Integrity Act of 1982;
- Federal Financial Management Improvement Act of 1996;
- Government Management Reform Act of 1994;
- Reports Consolidation Act of 2000;
- OMB Circular A-11, Preparation, Submission and Execution of the Budget;
- OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control; and
- OMB Circular No. A-136, Financial Reporting Requirements.

The APR is a detailed report on GSA's progress toward achieving the goals and objectives described in the agency's Strategic Plan and Annual Performance Plan, including progress on the strategic objectives, performance goals, and agency priority goals. The report will be delivered to Congress with GSA's Congressional Budget Justification by February 3, 2020.

## ORGANIZATION

Composed of the [Federal Acquisition Service \(FAS\)](#), the [Public Buildings Service \(PBS\)](#), the [Office of Government-wide Policy \(OGP\)](#), 11 Staff Offices, and 3 independent offices, GSA services and supports more than 60 Federal departments and agencies. Headquartered in Washington, D.C., GSA delivers goods and services to its Federal customers through 11 regional offices.



## Federal Acquisition Service

FAS annually facilitates over \$60 billion in information technology products, services and solutions, telecommunications services, assisted acquisition services, travel and transportation management solutions, motor vehicles and fleet services, and charge card services. FAS manages more than 219,000 GSA-owned vehicles, oversees issuance of more than 3.5 million charge cards and provides personal property disposal services facilitating the reuse of nearly \$1 billion in surplus property annually. FAS leverages the buying power of the Federal Government by negotiating prices on many products and services required by agencies for daily operations. By arranging a network of service providers, FAS is able to meet the operating and mission requirements of a vast array of Federal agencies and State, local, and Tribal governments. Leveraging its technology transformation services and information technology portfolios, FAS is developing and deploying Centers of Excellence. The goal is to improve the public's experience with the Government by obtaining and sharing technology applications, platforms, and processes to make their services more accessible, efficient, and effective.

## Public Buildings Service

PBS activities fall into two broad areas: workspace acquisition and property management. PBS acquires space on behalf of the Federal Government through new construction and leasing, while acting as a caretaker for Federal properties across the country. As the largest public real estate organization in the United States, PBS owns or leases more than 8,800 assets and maintains an inventory of approximately 369.4 million square feet of rentable workspace. Within this inventory, PBS maintains 413 buildings on the National Register of Historic Places, provides high-quality facility and workspace solutions to more than 50 Federal agencies; disposes of excess or unneeded Federal properties; and promotes the adoption of innovative workplace solutions and technologies. PBS is working with its Federal customers to design the workplace of the 21st century by seeking to reduce overall workspace needs and associated costs.

## Office of Government-wide Policy

OGP uses policies, data, and strategy to drive efficiency and management excellence across the Federal Government for key administrative areas including travel and transportation, acquisition, fleet management, information technology modernization, and real estate management. OGP helps influence agency behavior in these areas through the development of Government-wide policy, performance standards, data analysis and benchmarking, and transparent reporting of Government-wide data.

## Staff Offices

The GSA Staff Offices support the enterprise. They ensure GSA is prepared to meet the needs of customers, on a day-to-day basis and in crisis situations.

**Office of Administrative Services (OAS):** OAS delivers innovative solutions for GSA's administrative, workplace, and information management needs to facilitate efficient use of Government resources and effective risk management.



**Office of the Chief Financial Officer (OCFO):** OCFO provides enterprise-wide budget, financial management, financial analysis, robotics, performance management, and strategic planning services to GSA business lines and Staff Offices.

**Office of the Chief Information Officer (GSA IT):** GSA IT provides staff with ever-evolving technology to improve capabilities, productivity, mobility, agility, and cost savings. GSA IT solutions include mission-supporting applications, laptops, mobile devices, collaborative cloud-based software, training, and technical support.

**Office of Civil Rights (OCR):** OCR administers five programs related to Federal civil rights laws and regulations: Equal Employment Opportunity, Affirmative Employment, Nondiscrimination in Federally Conducted Programs and Activities, Environmental Justice, and Nondiscrimination in Federally Assisted Programs and Activities. OCR also administers the appeals process for administrative grievances filed by GSA employees.

**Office of Congressional and Intergovernmental Affairs (OCIA):** OCIA maintains agency liaison with Congress; prepares and coordinates the GSA annual legislative program; communicates the GSA legislative program to OMB, Congress, and other interested parties; and works closely with OMB in the coordination and clearance of all proposed legislation impacting GSA.

**Office of Customer Experience (OCE):** OCE works with internal clients to enhance relationships with customers, industry partners, and stakeholders. OCE improves the end-to-end experience of GSA customers by aligning operations to customer needs. OCE leads enterprise-wide qualitative and quantitative research, develops customer-centric strategies, builds the capacity of teams to practice human-centered design, gathers customer feedback, and conducts pilots with internal and external partners.

**Office of General Counsel (OGC):** OGC provides legal advice and representation to GSA, serves as GSA's Designated Agency Ethics Official and is responsible for managing the agency's ethics program. OGC also manages GSA-wide claims under the Federal Tort Claims Act.

**Office of Human Resources Management (OHRM):** OHRM delivers comprehensive human resources services and solutions to GSA and its employees. OHRM's primary focus is to work with GSA Services and Staff Offices to attract, motivate, develop, retain, and reward employees to maintain and enhance a mission-ready workforce.

**Office of Mission Assurance (OMA):** OMA ensures resilience and continuity of the agency's critical business processes by integrating and coordinating activities across all domains of security (physical, personnel, and industrial), HSPD-12 credentialing, emergency management, and contingency and continuity planning. OMA provides an enterprise-wide approach to mission assurance planning while ensuring the safety, privacy, and security of GSA facilities, people, and assets nationwide.

**Office of Small Business Utilization (OSBU):** OSBU partners with GSA mission delivery and support offices to meet and exceed statutory prime and subcontracting small business and socio-economic small business goals. To achieve this, OSBU promotes access to GSA's nationwide procurement opportunities and provides training to the acquisition workforce and small and disadvantaged businesses.

**Office of Strategic Communication (OSC):** OSC works with internal clients to build effective communication strategies to meet their business goals. OSC also manages the agency's media affairs operations, brand and visual design guidelines, and web content and design guidelines.

## Other Offices

**Office of the Inspector General (OIG):** OIG is responsible for promoting economy and efficiency. OIG also detects and prevents fraud, waste, and mismanagement in GSA programs and operations.

**Civilian Board of Contract Appeals (CBCA):** CBCA is an independent tribunal housed within GSA. Its primary responsibility is to adjudicate contract disputes between civilian Federal agencies and contractors under the Contract Disputes Act.

**Federal Permitting Improvement Steering Council (FPISC):** FPISC is responsible for leading ongoing Government-wide efforts to modernize the Federal permitting and review process for major infrastructure projects. FPISC works with Federal agency partners to implement and oversee adherence to the statutory requirements set forth in the Fixing America's Surface Transportation Act of 2015.

## PERFORMANCE SUMMARY

In FY 2019, GSA continued to deliver reliable, customer-driven, and innovative solutions in real estate, acquisition, technology, and other mission-support services across Government, helping to maximize value and minimize cost by:

- Effectively managing Federal real estate, which saves taxpayer money. GSA partners with customer agencies to shape demand for leased space and improve lease execution practices, which also supports efforts to reduce lease costs while maximizing the use of the owned inventory. From FY 2018 through FY 2019, GSA has already saved over \$2 billion in leasing, and is projecting savings of billions more by FY 2023.
- Providing efficient and effective acquisition solutions across the Federal Government, which will allow Federal agencies and departments to realize nearly \$6 billion in cost savings through the use of GSA acquisition solutions. Areas of greatest savings include products and services associated with travel and transportation, integrated technology, and assisted acquisition services. GSA is also consolidating its Schedules Program to make it easier for suppliers and Federal agencies to conduct business.
- Improving the way Federal agencies buy, build, and use technology, making it easier for agencies to acquire cloud-based IT services to securely and quickly meet their mission needs. GSA continues to work with agencies to reduce the number of data centers as agencies modernize their data storage infrastructure.
- Designing and delivering expanded shared services within GSA and across the Federal Government that improve performance and save taxpayer money. GSA is shifting its workforce from low-value to high-value work through initiatives like robotic process automation (RPA). Expanding this effort to the wider Government community, GSA recently launched the first Government-wide [RPA Community of Practice](#), with 40 agencies participating. In addition, GSA continues to support competitive acquisition as well as the overall effort to find efficiencies through the consolidation of the Federal motor fleet.

Through fulfillment of its core missions, GSA provides support to departments and agencies so they can focus on their core missions.



## Mission and Vision


### Mission

Deliver value and savings in real estate, acquisition, technology, and other mission-support services across the Government.

### Strategic Goals

-  Save taxpayer money through better management of Federal real estate.
-  Establish GSA as the premier provider of efficient and effective acquisition solutions across the Federal Government.
-  Improve the way Federal agencies buy, build, and use technology.
-  Design and deliver expanded shared services within GSA and across the Federal Government to improve performance and save taxpayer money.

### Administrator's Priorities

-  Ethical leadership  
Reduce duplication  
Increase competition  
Improve transparency

### People Drive Outcomes



### Key Outcomes

-  Savings
-  Mission
-  Productivity
-  Security
-  Speed
-  Simplification
-  Satisfaction

## Agency Performance Goals

GSA's strategic goals directly tie into its four major program areas: real estate, acquisition, technology, and shared services. A complete analysis of GSA's performance in FY 2019 will be included in the FY 2019 Annual Performance Report. What follows is an overview of key performance trends and insights.

### Strategic Goal #1: Real Estate - Save taxpayer money through better management of Federal real estate

Strategic Objectives:

- Reduce the cost of the Federal inventory.
- Establish GSA as a more cost-effective provider of real estate services for all agencies.

GSA is making progress in saving taxpayer dollars by shaping demand for and improving the execution of the leasing portfolio. GSA's Lease Cost Avoidance plan allocates more resources to focus on high-value leases since approximately 20 percent of GSA's leases account for 80 percent of all rental expenses to client agencies. GSA's

focus on the highest-value leases in the Federal portfolio puts GSA on track to achieve billions in cost avoidance through FY 2023, even though the agency missed its FY 2019 target for the share of leases negotiated at or below market rate (see Table 1).

**Table 1: Highlighted Key Performance Indicators for Real Estate**

Key Performance Indicators	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2019 Target	Status
Leases negotiated at or below market rate	48%	44%	48%	55%	Unmet
Capital projects on schedule and on budget	99%	90%	99%	85%	Achieved
Vacant Space in Inventory ↓	2.9%	3.3%	3.3%	3.0%	Unmet

↓ denotes that lower value is the desired direction

To date, under this initiative, GSA estimates over \$1 billion in potential cost avoidance from lease transactions (e.g., negotiating leases below market rate, reducing leased space, and lease vacant space mitigation) over the term of the lease. To provide better management for all leases, GSA will continue to expand the adoption of the Automated Advanced Acquisition Program (AAAP). AAAP allows landlords to offer commercial space to GSA through an electronic platform. This approach accelerates lease procurement cycle time and increases lease replacement rates.

In support of its goal to provide national leadership in the design and delivery of public buildings, GSA will meet its target for percent of capital construction projects on schedule and on budget. GSA's innovative use of the Project Definition Rating Index (PDRI) helps to enhance schedule completion of capital project milestones. The effectiveness of PDRI utilization is supported by GSA and industry research studies. In addition to its work on capital projects, GSA is on track in keeping small real estate construction projects on schedule and budget.

GSA fell short of meeting its target for reducing vacant space. GSA has worked to backfill the vacant space as part of its efforts to optimize its portfolio. GSA regions continue to efficiently manage facilities without compromising service levels. Tenant Satisfaction Survey results have held steady over the past three years with FY 2019 results forthcoming. In support of the Public Buildings Reform Board (Board), established through the Federal Assets Sale and Transfer Act of 2016, GSA has worked diligently to support the Board activities consistent with the legislative requirements.

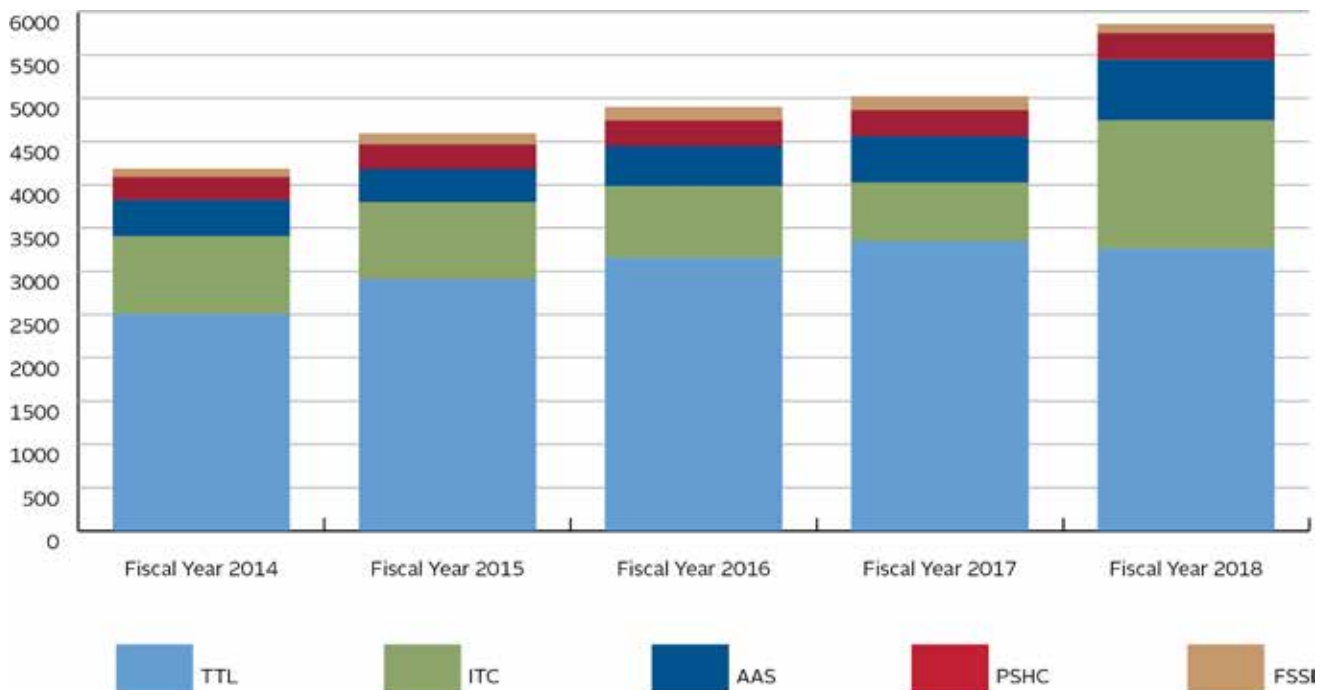
## Strategic Goal #2: Acquisition - Establish GSA as the premier provider of efficient and effective acquisition solutions across the Federal Government

### Strategic Objectives:

- Design and deliver GSA products and services that yield measurable savings while aligning with customer mission objectives and changing market demand.
- Make it easier to do business with the Government by simplifying processes and streamlining access to our customers and suppliers.
- Enhance customer agency access to qualified small and socio-economic businesses.

GSA continues to meet its acquisition performance objectives (see Table 2). GSA exceeded its FY 2019 goal for \$5.9 billion in savings to the Government through its acquisition solutions. Savings for FY 2019 totals \$6.36 billion with three major sources of savings yet to report results for the fourth quarter. Figure 1 shows the total savings over the past five years for five types of acquisition solutions for GSA: Travel, Transportation and Logistics (TTL), Integrated Technology Category (ITC), Assisted Acquisition Services (AAS), Professional Services and Human Capital (PSHC), and Federal Strategic Sourcing Initiatives (FSSI).

**Figure 1: Acquisition Program Savings, FY 2014 - FY 2018**



Over the past three years, the loyalty scores for GSA's acquisition customers have edged upward, the result of ongoing efforts to deliver value to the Federal agencies that partner with GSA to acquire billions of dollars of goods and services. The Federal Marketplace Strategy is GSA's ambitious undertaking to create a seamless, people-centric buying and selling experience that enables better mission-driven acquisitions across the Federal Government. A pillar of this effort is the consolidation of the 24 purchasing schedules that comprise the Multiple Award Schedule (MAS) into a single schedule for products, services, and solutions by the end of FY 2020. A unified schedule will provide consistent terms and conditions to simplify the procurement process for agency buyers and industry sellers.



GSA continues to excel at incorporating small businesses into Federal purchasing and will meet its prime FY 2019 small business and socio-economic small business goals. GSA has received an "A" rating from the Small Business Administration on the Small Business Procurement Scorecard for nine consecutive years. This reflects the agency's commitment to expanding opportunities for small businesses. Additionally, GSA has increased the visibility of and the accountability regarding small business subcontracting. Overall, GSA continues to identify innovative strategies to streamline processes, modernize technologies, reduce burden, and improve supplier relationships.

**Table 2: Highlighted Key Performance Indicators for Acquisitions**

Key Performance Indicators	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2019 Target	Status
Acquisition program savings	\$5.17B	\$5.86B	\$6.36B <sup>1</sup>	\$5.90B	Achieved
Customer loyalty scores (10-point scale)	7.4	7.5	7.6	7.5	Achieved
Percent of GSA contract dollars awarded to small business through prime contracting	42.6%	38.8%	38.6% <sup>2</sup>	30.0%	Achieved

<sup>1</sup> Denotes that \$6.36 billion reported savings does not yet include Q4 results from three of GSA's major acquisition programs; Fedrooms, ETS2, and Smartpay.

<sup>2</sup> Results are final pending reconciliation with the Small Business Administration (SBA)

### **Strategic Goal #3: Technology - Improve the way Federal agencies buy, build, and use technology**

#### Strategic Objectives:

- Lead Government-wide technology modernization initiatives.
- Drive more efficient and innovative Government procurement of technology services.
- Lead implementation of technical standards, policies, and strategies.

An important element of GSA's mission is helping Federal agencies procure and leverage technology in support of their own varied and complex missions (see Table 3). The FedRAMP certification program is one of GSA's critical technology offerings. FedRAMP-authorized vendors offer cloud services that allow Federal agencies to securely and quickly meet their mission needs. GSA has exceeded its cumulative performance goal by authorizing 159 vendors for FedRAMP at the end of FY 2019.

GSA is enhancing cloud usage in other ways as well. In May 2019, GSA stood up the Cloud Information Center (CIC), an interactive hub on the Acquisition Gateway that helps expand agency adoption of cloud solutions, providing agencies with acquisition guidance, templates, and policy documents to simplify procurement of cloud products and services. CIC helps to fully align GSA's cloud offerings with OMB's Cloud Smart Strategy, the President's Management Agenda, and the Report to the President on IT Modernization. With technical assistance from GSA's Data Center and Cloud Optimization Initiative Program Management Office, agencies continue to identify data centers for closure and the means to modernize their infrastructure to strengthen cybersecurity. This saves taxpayer dollars and enhances the management of Government IT infrastructure.

GSA's Federal Identity, Credential, and Access Management (FICAM) program is continuing its impact in supporting agencies' cybersecurity requirements for the implementation of standardized authentication credentials for employees and privileged user access to Government networks and systems, achieved by updating standards, policies and options for the use of multi-factor authentication credentials. As agencies continue to migrate to cloud environments and consolidated data centers, agencies identified the need for additional standards, policies and strategies for cross-government multi-factor authentication options and technical implementation guidelines for cloud environments. In 2019, GSA FICAM contributed to Government-wide policy standards and strategies as representatives on the executive steering committee for drafting updates to the Government standards, and coordinated with thirty agencies on the development of requirements for the procurement of products under the Continuous Diagnostics and Mitigation (CDM) initiatives.

**Table 3: Highlighted Key Performance Indicators for Technology**

Key Performance Indicators	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2019 Target	Status
Number of customer agency systems with FedRAMP authorizations (cumulative)	88	121	159	145	Achieved
Percent increase of Government-wide tiered data center closures (cumulative)	3.6%	9.0%	12% <sup>1</sup>	10%	Achieved
Percent of Government employees and contractors that log onto Government networks with a standardized, secure credential.	81%	96%	96%	95%	Achieved

<sup>1</sup> Denotes that year-end results are not yet available for the performance indicator. Results reflect cumulative results through the third quarter of FY 2019.

**Strategic Goal #4: Shared Services - Design and deliver expanded shared services within GSA and across the Federal Government to improve performance and save taxpayer money**

Strategic Objectives:

- Develop new organizational capabilities to understand customer demand and deliver integrated offerings to support common business processes Government-wide.
- Promote adoption of shared services by agencies through policy, guidance, and benchmarking.
- Support the overall mission of GSA by investing in our employees and modeling how we deliver internal support services, while providing policy guidance across Government

GSA is making progress in supporting the delivery of shared services across the Federal Government and improving internal shared services. During FY 2019, GSA's Fleet program has built a deeper understanding of the composition of Federal fleets and the potential cost savings from shared services. GSA has engaged in cost comparison studies at 11 agencies in FY 2019, exceeding the 100,000 cumulative vehicles studied target. In

most cases, the studies indicate that consolidating passenger vehicles and light trucks across the Government into GSA's fleet saves money and improves fleet management. GSA continues to work with these 11 agencies to transition to GSA leasing where it is more cost effective than agency ownership.

In support of GSA's leadership on the Sharing Quality Services Cross-Agency Priority Goal, GSA's Office of Shared Solutions and Performance Improvement exceeded its target of helping agencies achieve successful outcomes and reduce risk during mission-support modernizations and migrations by leveraging the best practices in the **Modernization and Migration Management** (M3) framework. In total, 43 Federal organizations have used M3 to date, exceeding the target of 35. Successful modernizations and migrations are critical to achieving the longer term shared services vision for the Government.

While GSA always prioritizes the customer experience with industry and Federal partners, the internal customer experience is also important. GSA measures internal customer satisfaction with mission-support functions for contracting, financial management, human capital management, and information technology. This measure of internal satisfaction rose for the third consecutive year. GSA is also on track to increase competition for its own acquisition contracts and modernize the agency's IT portfolio through greater use of cloud technologies and modernizing legacy systems within the GSA IT portfolio. In addition, in FY 2019, the Employee Engagement Index increased to 78 percent, showing that employees continue to remain connected to GSA's mission.

During the last year, GSA has made remarkable progress in streamlining operations through robotic process automation (RPA), freeing up workers to spend more time on higher-impact activities. By the end of FY 2019, GSA had deployed 29 RPA projects agency-wide, shifting about 62,000 FTE hours from low-value work to high-value work through automation and improved administrative processes. The agency has identified more than 200,000 hours of low-value work that can be automated, reduced, or eliminated. In addition, GSA is leading a Government-wide community of practice to accelerate RPA adoption. All the while, the agency continues to reduce its operating costs as a percentage of goods and services provided to its customers.

**Table 4: Highlighted Key Performance Indicators for Shared Services**

Key Performance Indicators	FY 2017 Results	FY 2018 Results	FY 2019 Results	FY 2019 Target	Status
Number of agency-owned (non-GSA) vehicles studied / consolidated by GSA	0 / 911	76,238 / 1,790	114,207 / 1,805	100,000 / 5,000	Partially Achieved
Effectiveness of administrative (CXO) functions as measured by employee satisfaction on a scale of 1 to 7	5.07	5.16	5.42	5.23	Achieved
Competition Rate for GSA Acquisitions	81.4%	82.6%	85.4%	80.0%	Achieved

## FINANCIAL STATEMENTS SUMMARY AND ANALYSIS

The financial statements and financial data presented in this report have been prepared from GSA accounting records in conformity with generally accepted accounting principles (GAAP) as prescribed by the Federal Accounting Standards Advisory Board (FASAB). The Consolidated Statements of Net Cost present the revenues and expenses incurred to provide goods and services to our customers and execute GSA's programs, by major program and activity.

### Consolidated Financial Results

#### GSA Assets

GSA assets primarily include: property and equipment such as Federal buildings, motor vehicles, and office equipment; Fund Balance with Treasury (FBwT); and amounts due to GSA from Federal agencies and non-Federal customers, mostly from sales transactions or uncollected rent (Accounts Receivable). In FY 2019, GSA reported total assets of \$44.7 billion compared to FY 2018 total assets of \$42.9 billion, representing a net increase of approximately \$1.7 billion. Significant changes in assets include an increase in the overall FBwT of \$1.5 billion, mainly due to activities in the Federal Buildings Fund (FBF), which saw an increase of nearly \$1 billion, primarily as earnings generated as funding for capital programs, to cover building repairs and alterations (R&A) and new constructions costs, exceed amounts spent on these programs. The FBF also received additional funding in excess of \$211 million for disaster relief and for transfers to support construction project costs, further contributing to the increase in FBwT. GSA's accounts receivable from other Federal agencies also rose over \$600 million due to increases in business volume in the Acquisition Service Fund (ASF).

#### GSA Liabilities

GSA liabilities are primarily amounts owed to commercial vendors for goods and services received but not yet paid (Accounts Payable), amounts GSA owes to other Federal entities, and long-term estimates of future environmental remediation costs. In FY 2019, total liabilities were \$8.5 billion; a net increase of \$447 million compared to FY 2018 total liabilities of \$8 billion. The increase is primarily attributable to the increased business volume in the ASF reflected in increases to ASF accounts payable to non-Federal entities of nearly \$600 million. Another significant change in liabilities was a decrease in estimates of environmental liabilities and contingencies of \$221 million.

#### GSA Net Results

GSA reported \$26.3 billion in revenue during FY 2019 compared to \$23.8 billion reported in FY 2018, which were matched by expenses of \$ 25.8 billion and \$ 23.4 billion, respectively. Changes in the FBF and ASF net operating results are discussed further below.

#### GSA Budget

GSA reported significant increases in spending authority from offsetting collections and obligations in the ASF. The primary driver for these increases was business volume in the AAS portfolio that has experienced \$2.1 billion in revenue growth year over year. In the FBF, spending authority from offsetting collections increased by \$178 million and unobligated balances from prior years increased by \$315 million. The primary driver for



the growth in spending authority from offsetting collections was the increase in the limitation on spending authority provided by Congress. The increase in unobligated balances was a result of capital project funding that typically takes several years to execute. Unobligated balances in FBF operating programs decreased from FY 2018 to FY 2019. Budgetary resources and execution in all other accounts were relatively flat from FY 2018 to FY 2019.

## Financial Results by Major Fund – Federal Buildings Fund

The FBF is the primary fund established for financial administration of PBS activities. PBS provides workplaces for Federal agencies and their employees. FBF resources are primarily generated by rent paid to GSA by other Federal agencies. Operating results are displayed on the Consolidating Statements of Net Cost, segregated into the two primary components of Building Operations – Government Owned, and Building Operations – Leased.

In FY 2019, FBF gross revenue was over \$11.9 billion, with over half of the revenue generated from five Federal customer agencies as shown in the table below:

**Table 1. FBF Top 5 Federal Customers** (*Dollars in Millions*)

Customers	Revenues (\$ in Millions)	% of Total Revenues
Department of Justice	\$2,047	17.3%
Department of Homeland Security	\$1,904	16.1%
Federal Judiciary	\$1,185	10.3%
Social Security Administration	\$879	7.4%
Department of the Treasury	\$757	6.4%

### FBF Net Revenue from Operations

FBF Net Revenue from Operations represents the amounts remaining after the costs of operating GSA owned and leased buildings are subtracted from revenue. Net Revenue from Operations is used to invest in major repairs and alterations for Federal buildings and to provide funding for the cost of constructing new Federal buildings.

The primary source of revenue into the FBF is rent from our customer agencies and the primary sources of expense are the cost of leasing building space and the cost of operating the GSA portfolio of GSA-owned and -leased buildings. PBS also operates a reimbursable work authorization program, which provides customer agencies with alterations and improvements in GSA space, above what is specified in base rental agreements.

The operating results on the Statements of Net Cost reflect a generally stable condition of the overall real property portfolio, where FBF revenues increased by 1.5 percent between FY 2019 and 2018. The FBF reported net revenues in excess of expenses of \$524 million in FY 2019 compared to net revenues in excess of expenses of \$650 million in FY 2018, representing a decrease of \$126 million. While this overall change was relatively small compared to \$11.9 billion in total revenues, the Owned Building Operations reflect reduced amounts of gains recognized from disposal of FBF properties between FY 2019 and 2018 of almost \$95 million. During FY 2019, FBF Leased Building Operations recorded a net loss of \$84 million, compared to the break-even results in 2018. Last year the FY 2018 results reflected unusually positive impacts of transactions

related to the accounting treatment of leases with free rent periods and other rent discounts that require amortization. Amounts recognized in 2018 for the amortization treatment reduced expense, offsetting losses generated by other leasing operating activity. Such expense reductions were not repeated in FY 2019, resulting in the Leased Building Operations reflecting losses, as had been experienced in previous years.

### FBF Obligations and Outlays

In the FBF, obligations are primarily the value of contracts awarded to commercial vendors for the construction of new Federal buildings; for repairs and alterations, cleaning, utilities and other maintenance of GSA-owned Federal buildings; and lease and related payments to commercial landlords for space leased by GSA for Federal agencies. Obligations incurred in FY 2019 reflect only slight increases in total program activity. The change in Net Outlays reflects a continuing trend of collections from operating revenues exceeding amounts disbursed for operating and capital programs.

**Table 2. FBF Obligations and Outlays** (*Dollars in Millions*)

Customers	FY 2019	FY 2018	Change (\$)	Change (%)
New Obligations and Upward Adjustments	\$11,156	\$10,982	\$174	1.6%
Net Outlays from Operating Activity	\$(997)	\$(875)	\$(122)	(13.9)%

## Financial Results By Major Fund — Acquisition Services Fund

The ASF is a revolving fund that operates from the reimbursable revenue generated by its business portfolios rather than from an appropriation received from Congress. The operations of the ASF are organized into seven business portfolios: General Supplies and Services (GSS); TTL; ITC; AAS; PSHC; and Technology Transformation Services. By leveraging the buying power of the Federal Government, FAS consolidates requirements across multiple agencies and uses its acquisition expertise to acquire goods and services at the best available prices.

In FY 2019 the ASF realized \$14.7 billion in revenues with 81.5 percent of the revenue generated from five Federal customer agencies as shown in the table below:

**Table 3. ASF Top Five Federal Customers**

Customers	Revenues (\$ in Millions)	% of Total Revenues
U.S. Department of Defense	\$9,970	68.0%
U.S. Department of Homeland Security	\$978	6.7%
U.S. Department of Justice	\$369	2.5%
U.S. Department of Agriculture	\$358	2.4%
U.S. Department of Health and Human Services	\$284	1.9%

### ASF Net Revenues from Operations

ASF Net Revenue from Operations represents the revenue remaining after deducting the costs of goods and services sold against the cost of operations. Net Revenues from Operations are invested in the GSA Fleet, IT systems, other programs to improve FAS service levels, and to comply with regulatory and statutory requirements. In FY 2019, the ASF reported improved financial results across business portfolios, producing net results of \$220 million compared to net results of \$87 million in FY 2018. AAS programs have continued to experience significantly increased revenue of over 30 percent in the past fiscal year, earning \$9.2 billion in FY 2019, due to higher business volume. This additional business volume combined with cost containment measures, produced an increase of \$19 million in AAS net results compared to FY 2018. The Federal Systems Integration and Management Center's increase is responsible for more than half of the AAS growth. In the TTL business portfolio, revenues and expenses, as well as net operating results, have increased due to strong performance within the Fleet Leasing program, providing an increase of over \$50 million in the bottom line net results compared to FY 2018. Another significant improvement in net results is seen in the IT Category, which improved net results by \$39 million compared to FY 2018, reflecting reduced spending on initiatives funded by business reserves.

### ASF Obligations and Outlays

ASF obligations and outlays are primarily driven by contracts awarded to commercial vendors providing goods and services in support of the ASF portfolios. New Obligations and Upward Adjustments increased by \$2.3 billion between FY 2019 and FY 2018, due to the large increase in ASF business volumes. Consequently in FY 2019, Gross Outlays from disbursements grew by \$1.8 billion and collections from sales increased \$2.2 billion, compared to FY 2018. This additional amount of collections exceeding disbursements is reflected in the decrease in Net Outlays of \$399 million.

**Table 4. ASF Obligations and Outlays** ( Dollars in Millions)

Customers	FY 2019	FY 2018	Change (\$)	Change (%)
New Obligations and Upward Adjustments	\$17,518	\$15,260	\$2,258	14.8%
Net Outlays from Operating Activity	\$(304)	\$95	\$(399)	(420.0)%

#### Limitations of Financial Statements

The principal financial statements are prepared to report the financial position and results of operations, pursuant to the requirements of 31 U.S.C. 3515 (b). The statements are prepared from the books and records of GSA in accordance with Federal GAAP and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government



# GSA MANAGEMENT ASSURANCES

## Statement of Assurance

GSA management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act. GSA conducted its assessment of risk and internal controls in accordance with the Office of Management and Budget (OMB) Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Based on the results of the assessment, GSA management can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of September 30, 2019.

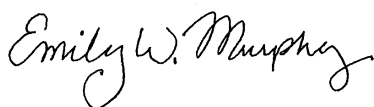
In FY 2018 the GSA Office of Inspector General (OIG) identified internal controls as a management challenge and subsequently cited performance audits as a specific area of concern. To address this challenge, GSA (1) clarified and enforced accountability over audit resolution by establishing an executive team to lead the resolution of this management challenge; (2) improved coordination of audit and internal control activities across the enterprise through chartering an audit and internal control working group, which meets regularly to address these issues, and (3) strengthened controls over audit resolution through enhanced reporting and internal control monitoring.

To address the control concerns and inefficiencies associated with the lack of a single, integrated contract writing system, the Federal Acquisition Service (FAS) is poised to implement a new contract acquisition lifecycle management system (CALM). CALM will be a single, modern, efficient acquisition system that will support end-to-end acquisition, enhance internal controls, and standardize processes for the acquisition workforce. The acquisition process is in progress and CALM is expected to begin rolling out in the third quarter of FY 2020.

Recent OIG and GAO audits identified control weaknesses in the Public Buildings Service (PBS) Health and Safety, Environmental, and Delegated Leasing programs. To address these, PBS is developing guidance and training to ensure regions are using a consistent, national framework for identifying, reporting, and addressing environmental risks across the PBS building inventory. In addition, PBS is developing standard operating procedures to address data integrity issues related to lease delegations.

In FY 2019, OMB confirmed an FY 2017 Antideficiency Act (ADA) violation related to the Acquisition Services Fund. GSA implemented a corrective action plan to enhance forecasting capabilities. In addition, OMB amended the FY 2019 ASF apportionment to allow for automatic increases to the apportionment in the event of unanticipated customer orders placed above the apportioned levels thus eliminating the cause of the ADA.

GSA has assessed that it is in compliance with Federal financial management standards, as required by the Federal Financial Management Improvement Act of 1996 and OMB Circular A-123 Appendix D. GSA is confident that all systems substantially comply with the Federal accounting standards promulgated by the Federal Accounting Standards Advisory Board, and with the U.S. Standard General Ledger at the transaction level as of September 30, 2019.



Emily W. Murphy  
Administrator

November 13, 2019

## GSA MANAGEMENT AND INTERNAL CONTROL PROGRAM

An effective internal control program helps GSA safeguard Government resources and ensures that the agency efficiently and effectively fulfills its core mission and achieves its strategic goals.

GSA evaluates internal controls across the agency at various levels of the organization. GSA management is responsible for establishing goals and objectives around operating environments, ensuring compliance with relevant laws and regulations, and managing both expected and unanticipated events. Employees across the organization are responsible for executing internal controls.

### Management's Responsibility for Enterprise Risk Management and Internal Controls

The agency's senior assessment team, the Management Control Oversight Council (MCOC), chaired by the Deputy Administrator, is responsible for establishing governance for GSA's senior managers to provide the leadership and oversight necessary for effective implementation of the agency's Internal Control Program.

### Integration with Enterprise Risk

To better understand and anticipate enterprise risk, GSA identifies and prioritizes prospective threats to the organization annually. This includes an effort to integrate and leverage information developed as part of OMB Circular A-123 internal controls assessments.

In FY 2019, GSA conducted two surveys, one with executives and another with managers throughout the organization, and identified the likelihood and impact of enterprise risk events. The results of both surveys were shared and discussed with each of the services and with specific mission-support offices. Based on the surveys and follow up discussions, GSA made adjustments to the annual risk profile and prioritized some risks for additional analysis and planning. Risks are managed throughout the year at the appropriate program level, with certain cross-cutting risks monitored and discussed at the enterprise level through existing governance mechanisms and decision bodies.

The OCFO A-123 Internal Control Review Team and the Office of Government-wide Policy (OGP) conducted parallel financial and acquisition reviews across the agency. The Procurement Management Review (PMR) Division, which is a component of OGP's Office of Acquisition Policy, completed 1,104 contract and real property lease file reviews in FY 2019, covering 16 GSA contracting organizations.

### Contract Administration Baseline Review

Throughout FY 2019, PMRs focused on post-award responsibilities, including contracting officer's representative (COR) delegations of authority, internal or external to the agency. Contracting activities were assessed to confirm that project teams are performing the required oversight and documentation as indicated in each contract.

As expected, the increased focus on contract administration highlighted both successes to applaud and challenges that will require corrective action plans in FY 2020. The top contract administration challenges are listed below:

1. **Security:** Contractor access to Government space is often necessary to execute contract requirements. While an agency process exists to obtain identification badges for contractors, improvements are needed in maintenance and oversight procedures from credential issuance through contract completion.
2. **Performance-based Contracts:** Performance-based contracts represent approximately 80 percent of GSA-obligated dollars. As such, GSA needs to ensure these contracts contain the applicable performance standards and surveillance plans to allow proper assessment of the contractors' performance required in the contract.
3. **Lease Total Cost:** Real property leasing actions are a unique type of procurement in that the total post-occupancy lease costs, such as alterations via reimbursable work authorization and overtime utilities, are not easily linked back to the master lease to provide a total cost.
4. **Integrated Teams:** Contracting is a team sport requiring contributions from all members of the project team to ensure success. Focus is needed to ensure that contracting officers, CORs, and project managers use the same playbook in terms of key post-award activities, such as awareness and understanding of delegated roles and responsibilities, contract file storage, and accessibility.

OCFO internal control responsibilities include evaluating the effectiveness of internal controls over reporting and financial systems, conducting an agency-wide assessment of compliance with GAO's 5 components and 17 principles of internal control, and monitoring and reporting on improper payments.

## Federal Managers' Financial Integrity Act of 1982

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires that agencies establish internal controls and financial systems to provide reasonable assurance that the integrity of Federal programs and operations are protected. It also requires the head of the agency to provide an annual assurance statement on whether the agency has met this requirement and whether any material weaknesses exist.

In response to FMFIA, the agency holds managers accountable for the performance, productivity, operations, and integrity of their programs through the use of internal controls. OCFO developed an Internal Control Evaluation Tool (ICET). ICET incorporates the evaluation factors for the 5 components and 17 principles of internal control, Digital Accountability and Transparency Act (DATA Act) reporting requirements, and Enterprise Risk Management (ERM) concepts to allow senior managers to evaluate the adequacy of the internal controls and determine whether the controls conform to the internal control standards established by OMB and GAO.

The evaluation results and other information were provided to the MCOC to determine and advise whether there were any material weaknesses in internal control requiring disclosure in the Administrator's Statement of Assurance.

## OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, Appendix A and D

OMB Circular No. A-123, Appendices A and D, require agencies to conduct an annual management assessment of internal control over reporting and financial systems. In FY 2019, the OCFO continued to deploy an extensive annual assessment methodology that assesses risk across key business processes and identifies the related key internal controls over reporting and financial systems.

The Appendix A risk assessment evaluated the results of the FY 2018 financial audit, the FY 2018 evaluation of GAO's 5 components and 17 principles of internal control, recent GAO and OIG audits, and management-



identified priorities. The assessment identified budget and finance, Federal Acquisition Service (FAS) and Public Buildings Service (PBS) procurement, accounts payable, payments, timing of personnel actions for within-grade and quality step increases, DATA Act reporting, and OCFO robotics process automation (RPA) as within the scope of the FY 2019 assessment.

For Appendix D, the financial system evaluation was based on initial materiality assessments. The systems in scope for this year's assessments included Pegasys (the GSA core financial system of record), the Assisted Services Shared Information System, the Requisition, Ordering, and Documentation System, and the Enterprise Acquisition System Integrated. Key controls were evaluated for the appropriate design, operational effectiveness and identified potential risk areas.

GSA's evaluation of Appendices A and D did not identify any material weaknesses in controls or material system non-conformances as of September 30, 2019.

## Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 was designed to improve Federal financial management and reporting by requiring that financial management systems comply substantially with three requirements:

- Federal financial management system requirements;
- Applicable Federal accounting standards; and
- The U. S. Government Standard General Ledger at the transaction level.

The act also requires independent auditors to report on agency compliance with the three stated requirements as part of financial statement audit reports. The agency evaluated its financial management systems and has determined they substantially comply with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level.

## Information and Financial Management Systems Framework

The CFO Act assigns responsibilities for planning, developing, maintaining, and integrating financial management systems to Federal agencies. GSA currently maintains e-Payroll applications, portions of its legacy core accounting system, and general support systems, which operate on a variety of hosting platforms to support various feeder applications.

In FY 2019, GSA continued its progress in financial systems modernization. GSA completed phase II of a project to move the Visual Invoice Tracking and Payment application, an accounts payable subsystem, to a new platform. The new platform improved GSA's security posture, retired additional components of legacy FoxPro code, satisfied 508 compliance, expanded single sign-on implementation, and enhanced the overall user experience and usability of this mission-critical application.

Due to functionality being incorporated in Pegasys, GSA decommissioned several financial management applications including FTS Expense Accruals, Pegasys Forms Delete, Pegasys Online Disbursement Review, Year End Lease Accruals (Lease YE Accrual), Pegasys Open Items, BULKLOAD, Adventure Travel, Financial Operations and Disbursement Division, Customer Support Center, and IPAC Search. The benefits of decommissioning these systems include cost avoidance, as well as streamlined user access and user experience.

GSA has also successfully implemented a Robotic Process Automation (RPA) program within OCFO, which is automating processes for OCFO, FAS, PBS, and other GSA support offices. The RPA program has delivered bots that help GSA comply with Federal requirements, such as the Prompt Payment Act and the Improper Payment Elimination and Recovery Act of 2010; reduce cycle time for different processes, thereby increasing the capacity to improve customer satisfaction; reduce errors and associated re-work and delays; reconcile data across multiple systems and documents; and automate manual, repetitive, rule-based processes, allowing employees to shift to higher-value work advancing the agency's mission. GSA is now in the planning phases of building an RPA enterprise platform, which will allow for unattended automation and time-based scheduling of bots.

GSA has undertaken other activities that improve processes, increase automation, and further consolidate applications in its system architecture. To better secure GSA's data assets, the agency continues to move more applications to the SecureAuth single sign-on solution and integrate two-factor authentication for identity and access management services. In the area of software asset management, GSA continues to mature new tool sets and additional capabilities introduced to help combat fraud and ensure proof of purchase, license, and user agreements.

To protect and secure sensitive building information (Federal tenant data, floorplans, leasing data, and market surveys with competitive rental rates), PBS IT and GSA IT Security included additional rigor into contractor requirements in the National Broker Contract. The contract now requires GLS brokers to use Government-provided systems and email to store or process all information pertaining to leases. Contractors must also use GSA-provided IT systems and email (currently virtual desktops and GSA-provided Google Accounts) to store, process, or transmit GSA information for all work performed under this contract.

## Federal Information Security Modernization Act

The Federal Information Security Management Act (FISMA) requires Federal agencies to implement a set of processes and system controls designed to ensure the confidentiality, integrity, and availability of system-related information. The controls in each Federal agency must follow established Federal Information Processing Standards, National Institute of Standards and Technology (NIST) standards, and other legislative requirements pertaining to Federal information systems, such as the Privacy Act of 1974.

To facilitate FISMA compliance, GSA maintains a formal program for information security management focused on FISMA requirements and protecting GSA IT resources. This program is focused on processes necessary to mitigate new threats and anticipate risks posed by new technologies and follows NIST's cybersecurity framework for making risk-based determinations. Integration of cybersecurity with enterprise risk management has been improved by bringing cyber risks discussion to the Investment Review Board (IRB) and prioritizing investment decisions that mitigate the risks.

GSA meets all FISMA Cross Agency Priority Goals for cybersecurity and has received a Managing Risk rating across all capability domains and overall for the Risk Management Assessment Scorecard. GSA has also implemented a set of Continuous Diagnostics and Mitigation (CDM) security sensor tools feeding summarized data to a CDM dashboard. The CDM dashboard provides a centralized view of cybersecurity risks across the enterprise and provides leadership with an ability to identify cybersecurity risks and prioritize actions to mitigate or accept risks based on potential impacts to the mission of the GSA. Other actions taken to mitigate cybersecurity risks at GSA include:

- Implementing information security requirements in accordance with FISMA mandates and GSA policies.
- Addressing weaknesses identified in GSA system-level plans of action and milestones, which are developed to manage the risks associated with all GSA applications.
- Providing security and privacy awareness training to more than 17,000 employees and contractors.
- Developing a continuous diagnostics and mitigation program in accordance with NIST, U.S. Department of Homeland Security, and OMB direction.

## Digital Accountability and Transparency Act

The DATA Act was enacted in 2014, amending the Federal Financial Accountability and Transparency Act of 2006 (FFATA). FFATA requires reporting of obligations and award-related information for all Federal financial assistance and procurement awards. The DATA Act expands upon FFATA by adding U.S. Department of the Treasury account-level reporting; this includes reporting all Treasury Account Symbols that fund each award and contract transaction, budget authority, program activity, outlays, and budget object classes, among other data elements. The DATA Act also requires the Federal Government to collectively standardize the financial data elements reportable under the act. GSA submitted its quarterly DATA Act submissions as required. This information is publicly accessible and searchable by the American public to see how tax dollars are spent. Additionally, in their recent biennial "Audit of the Completeness, Accuracy, Timeliness, and Quality of GSA's 2019 DATA Act Submission" for the first quarter, the OIG found that GSA's financial and award data to be of "higher" quality, the highest grade allowable.

## Antideficiency Act

The Antideficiency Act (ADA), Pub.L. 97-258, 96 Stat. 923, prohibits Federal agencies from incurring obligations or expending funds in advance or in excess of an appropriation. The law was initially enacted in 1884, with major amendments occurring in 1950 and 1982. It is now codified at 31 U.S.C. § 1341.

In FY 2019, OMB confirmed an FY 2017 ADA violation related to the Acquisition Services Fund (ASF). In response, GSA implemented a corrective action plan that enhances forecasting capabilities. In addition, OMB amended the FY 2019 ASF apportionment to allow for automatic increases to the apportionment in the event of unanticipated customer orders placed above the apportioned levels, thus eliminating the cause of the ADA.

GSA is also working with OMB to reach a decision for a potential FY 2017 violation of the ADA related to the Federal Citizens Services Fund (FCSF). The FCSF was used to improve search capability for State and local Government websites without reimbursement, potentially in contravention to the fund's authorizing statutes. GSA discontinued these support services in February 2017.

## LOOKING FORWARD

Throughout the year, GSA evaluates its progress toward achievement of its strategic goals and objectives to identify challenges that stand in the way of and opportunities that optimize its ability to deliver on its mission. Using a cross-functional approach, GSA senior leaders identify and prioritize prospective risks to the enterprise. This process enables agency leaders to allocate resources and mitigation efforts toward key areas of concern and manage emerging risks prior to operational impact.

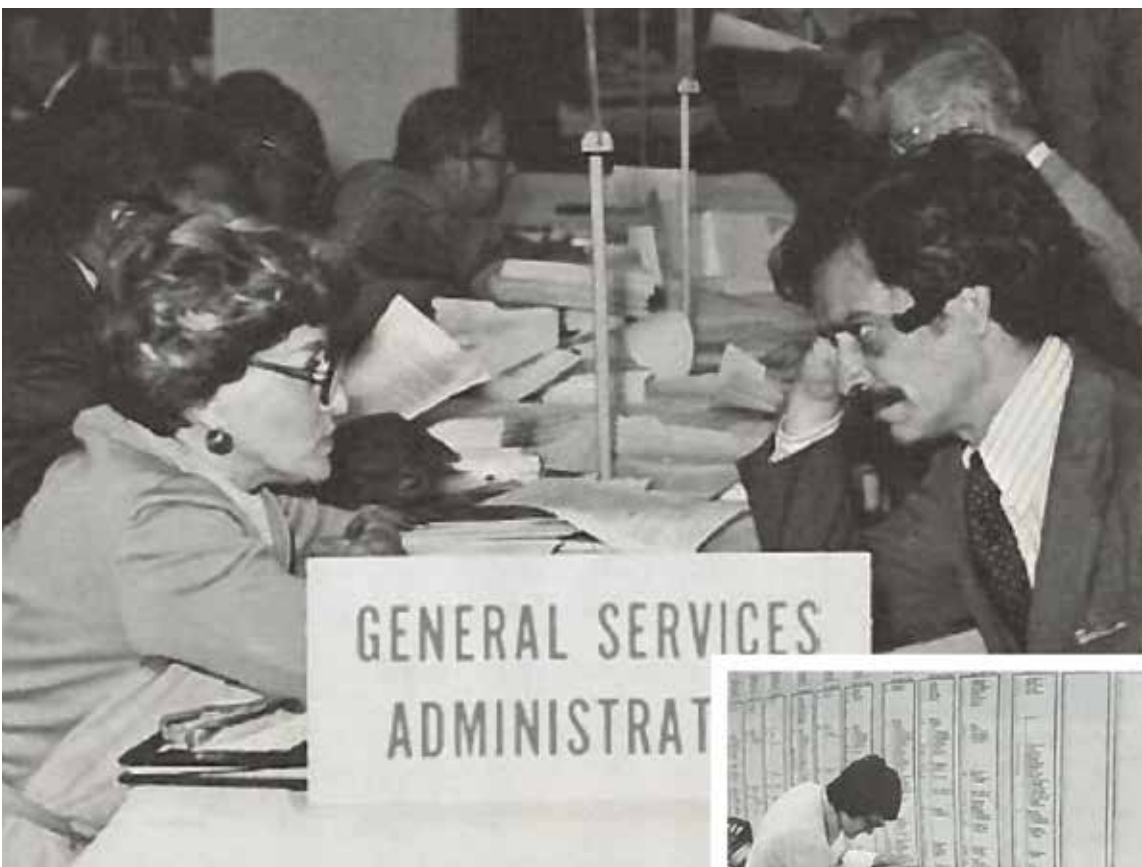
To strengthen its approach to the management of enterprise risks, GSA surveyed both senior executives and senior managers across GSA's Central Office and the Regions to better understand their perception of risk to the organization over the next year. The insights from this effort provided top down feedback -- corroborated at two levels of leadership -- and a rich data set that was used to refine GSA's Enterprise Risk Profile and identify opportunities for improvement. Leveraging data analytics, GSA will continue to review key risk data to prioritize actions on cross-cutting challenges. Focus areas from the FY 2020 enterprise risk management efforts include:

1. **Cybersecurity** - Cyber attacks and security vulnerabilities have the potential to bring down mission-critical systems and IT infrastructure. Cybersecurity is one of the most critical aspects of GSA IT's program. To mitigate the threat, GSA is focusing beyond compliance on operational security, identifying and managing capability gaps. Continuous monitoring and review are in place to protect GSA's systems from hackers and other cyber attacks.
2. **Human Capital** - GSA consistently ranks as one of the top 10 best places to work among midsize Federal agencies. The technical nature of GSA's work offers unique challenges to recruiting, developing, and retaining top talent. Based on analysis of the human capital risks identified in the 2019 Enterprise Risk Survey, GSA will continue to seek innovative solutions to develop and grow its workforce while identifying opportunities for performance and process improvement across the enterprise.
3. **Legacy Database Technologies** - Reliance on proprietary legacy technologies adversely affects operational flexibilities and increases costs for GSA. To reduce the negative effects, GSA is leveraging the Technology Modernization Fund to support a multi-year transformation effort. GSA is shifting from proprietary to open source databases, which will simplify integrations with other systems. This will help applications achieve greater flexibility in their system architecture while improving resilience, scalability, maintainability, and performance.
4. **Federal Building Fund (FBF)** - GSA is dependent on appropriations and authorizations to preserve and invest in the Government's real estate assets. Reduced budgetary authority, spending less than the anticipated level of collection, for the FBF impedes GSA's ability to fund critical repairs and improvements across its real estate portfolio. The result is avoidable increased costs due to delayed repairs and missed opportunities to consolidate space. Ensuring full access to the FBF allows GSA to effectively plan for investments in its owned portfolio, supports efforts to decrease the overall size of the leased portfolio, and generates significant savings over the long term.

Each of the risks described above, if not effectively managed, has the potential to hinder GSA's ability to meet its objectives. Proactive leadership and an increased willingness to work across business units to manage



risk promotes transparency and helps develop a proactive risk and opportunity culture. By identifying an accountable executive for each risk with the responsibility for tracking implementation of mitigation plans and strategies, GSA promotes accountability. Ensuring that critical risks are monitored by leveraging qualitative and quantitative information allows GSA to effectively align investments to mitigate key risks and strengthen operations, ultimately maximizing value to customer agencies and taxpayers.



## **FINANCIAL SECTION**

A close-up, warm-toned photograph of a hand holding a white credit card. The card is held at an angle, showing its front surface. In the background, a laptop keyboard is visible but out of focus. The overall lighting is soft and golden, creating a professional and trustworthy atmosphere.

**E**stablished in 1998, the  
GSA SmartPay Program  
is the world's largest  
Government charge card  
and commercial payment  
solutions program.

Today, it provides services  
to more than 560 Federal  
agencies, organizations,  
and Native American Tribal  
governments. By using  
SmartPay agencies realize  
savings - more than \$3 billion  
in net refunds since the  
program's inception.

## LETTER FROM THE CHIEF FINANCIAL OFFICER

On behalf of the United States General Services Administration (GSA), I am pleased to provide the FY 2019 Agency Financial Report (AFR). The AFR represents the culmination of our financial management community's efforts to accurately track and disclose GSA's financial status, and to ensure that the agency continues to act as a good steward of public funds. I would like to sincerely thank all of GSA's financial management personnel for their dedication, diligence, and excellent work in compiling this report, as well as staff from other offices who partnered with the Office of the Chief Financial Officer (OCFO) to assure accountability and transparency in the execution of their fiduciary funds.

GSA's mission is unique within the Federal Government, as GSA provides services directly to other agencies, resulting in a high volume of interagency financial transactions. On an annual basis, GSA processes nearly two million interagency transactions, totaling over \$20 billion in Federal spending. This requires our financial offices to adopt a broader perspective - we need to optimize our internal operations and costs while also planning and executing critical Government-wide functions.

FY 2019 was a successful year for GSA OCFO on both fronts. Internally, OCFO developed an initiative to streamline workload in alignment with Cross Agency Priority Goal 6, Shifting From Low-Value to High-Value Work. The initiative led to the successful implementation of 53 projects creating nearly 100,000 hours of workload capacity across GSA. We redeployed the capacity created within OCFO to enhance our audit and compliance programs, improve our partner financial reporting, and augment our Robotic Process Automation (RPA) Program.

Externally, OCFO launched the Federal RPA Community of Practice (CoP) to accelerate RPA adoption across federal agencies. OCFO also actively supported Government-wide adoption of G-Invoicing standards, supported the optimizing of the Public Building Service (PBS) leasing and owned buildings portfolio, and financial analysis to improve FAS' acquisition programs.

### Audit and Compliance

In FY 2019, GSA's independent auditors identified no material weaknesses or significant deficiencies in their annual financial audit. In FY 2018, GSA's independent auditors identified no material weaknesses and two significant deficiencies. In FY 2019 GSA closed the FY 2018 significant deficiencies, however eight control deficiencies were issued.

During FY 2019, GSA followed our established procedures for remediation of audit and non-compliance issues. For each financial audit finding, GSA developed a Corrective Action Plan (CAP), which was assigned to a senior accountable official responsible for full implementation. As steps were completed and supporting documentation provided, the work was reviewed to ensure mitigation of the root cause.





The first FY 2018 significant deficiency closed in FY 2019 was related to monitoring financial reporting controls. GSA implemented a comprehensive evaluation of the financial statement review process, a detailed review of the amount accuracy, a reporting checklist to ensure reports were prepared in accordance with all applicable reporting requirements, and a formal review at the appropriate level of the OCFO as evidenced by their sign off. GSA relied on multiple reviews throughout the audit process to ensure its financial statements were prepared in accordance with all applicable Office of Management and Budget (OMB) requirements.

The second FY 2018 significant deficiency, weakness in enterprise access controls, required additional steps to be performed as part of fulfilling the agency's requirements for periodically reviewing and recertifying user and administrator access. In response, GSA has enforced a policy for account recertifications and worked with certifiers to provide additional role-based validations in alignment with job responsibilities. Although the significant deficiency was closed, GSA will continue to work on the access controls in FY 2020 to address the four non-significant Information Technology deficiencies.

## Key Accomplishments

In addition to our work to strengthen the agency's financial controls environment and key compliance mechanisms, OCFO also focused on driving value across the agency through the following critical initiatives:

### 1. Staff Engagement and Development

OCFO's greatest asset in meeting the requirements of its complex mission is its dedicated, effective, and innovative workforce. Leadership within OCFO made it a top priority in FY 2019 to cultivate staff development and facilitate greater staff engagement. Top initiatives included increased communication from leadership on organizational priorities, direct staff and manager involvement in identifying value-add and efficiency opportunities, and leveraging RPA to reduce low satisfaction work. OCFO achieved an engagement score of 82 percent on the Federal Employee Viewpoint Survey, a 2 percent point increase over FY 2018, and a 16 percent point increase from FY 2015.

### 2. Workload Optimization Initiative

Originally launched in FY 2018, the OCFO Eliminate, Optimize, and Automate (EOA) initiative was intended to create additional capacity within GSA to meet expanding mission requirements, increased workload, and to transition staff from low to high-value work (in alignment with President's Management Agenda (PMA) CAP Goal 6. In FY 2019, OCFO made significant strides in implementing 53 projects across the EOA focus areas (including 29 RPA automations as of September 30, many with GSA-wide operational impact). The total workload capacity generated through the effort totals almost 100,000 annualized hours.

GSA OCFO also led the rollout of the EOA initiative to other CXO organizations within GSA. The Deputy Administrator has set aggressive goals for all administrative offices to identify EOA projects totaling 250,000 annualized hours of workload capacity that can improve GSA-wide operations.

### 3. Robotics Process Automation Program

In FY 2019, GSA OCFO provided enterprise RPA development for partners across the agency, including the Public Buildings Service (PBS), the Office of Human Resource Management (OHRM), the Office of Mission Assurance (OMA), and the Office of Administrative Services (OAS). In conjunction with the EOA Initiative, our RPA Program in OCFO set an ambitious goal of implementing 25 automations in FY 2019 (up from 1

automation in FY 2018). OCFO surpassed that goal with 29 live automations, while also making significant strides in program management maturity including enhanced process assessment and improvement capabilities, innovative dashboarding and program reporting tools, and program outreach and opportunity identification.

OCFO is also leading the Federal RPA Community of Practice (CoP). The CoP includes over 600 Federal employee members from 40+ agencies across Government in pursuit of two critical goals 1) Mitigating common management, technology, and operational hurdles that might impede Federal RPA adoption; and 2) Sharing RPA best practices, lessons learned, and strategies for launching and/or evolving an RPA program.

The CoP is conducting events to share innovative RPA use cases among Federal RPA leaders, develop an RPA Playbook, examine technology standards, and begin the development of trainings for Federal employees. All of these activities are part of a broader strategy to accelerate the adoption of RPA Government-wide, and achieving the full potential of RPA to transform the way the Government does business.

#### 4. Strategic and Performance Improvement

At GSA, the Chief Financial Officer plays a dual role as both the financial management leader and Performance Improvement Officer (PIO). Within the mandate provided by the Government Performance and Results Act Modernization Act, OCFO led a broad slate of enterprise strategy and performance initiatives including:

- A. Enterprise Risk Management Initiative:** Engaged with senior agency leaders to identify, assess, and manage cross-cutting agency risks. Through qualitative and quantitative analysis, including surveys and focus groups, a multidisciplinary team engaged employees in central office and across the regions to better understand the root causes of cross-functional risks. The findings and recommendations will be used by senior leadership in FY 2020 to partner to create targeted mitigation strategies to improve organizational performance as well as improve transparency and accountability.
- B. CXO Transformation Study:** Assessed the transformation activities of GSA CXOs during FY 2014-2017 (OCFO, OHRM, GSA IT, OMA, and OAS) to determine efficiencies gained, service delivery improvements, and control enhancements. The resulting report was delivered to OMB as a best practice case study for functional consolidation in the Federal Government.
- C. Quarterly Performance Reviews:** Developed a revised approach for regular data-driven performance reviews of GSA's Services and Staff Offices. Key achievements included the development of a standardized dashboard to depict CXO performance improvement. These efforts informed the development of new Agency Priority Goals for FY 2020 and FY 2021 and allowed GSA to more effectively measure its achievement of strategic goals
- D. Program Audits:** Launched an enterprise-wide initiative in FY 2019 to improve program audit performance. Led by a senior executive audit team, this initiative: 1) increased executive accountability for audit resolution; 2) improved communication and coordination of audit and internal control activities across the enterprise, and with the Office of Inspector General; and, 3) positioned the agency to respond more swiftly to identify deficiencies, address cross-cutting challenges, and promptly resolve findings of audits and other reviews. This initiative was designed to enhance accountability and promote an effective internal control environment across GSA.

## 5. G-Invoicing

G-Invoicing is the identified Federal solution to improve the quality of intragovernmental transactions (IGT) (buy/sell data) in support of more accurate financial management by Federal trading partners. G-Invoicing will provide a common platform for brokering all IGT Buy/Sell activity, implementing Buy/Sell data standards, and providing transparent access to a common data repository of brokered transactions. Per the United States Department of Treasury (Treasury) Bureau of Fiscal Service, full G-Invoicing adoption is required by all Federal agencies by June 2021. GSA is a critical partner in this initiative because of the high volume of IGTs processed by the Agency.

GSA OCFO led efforts to assess IGTs in coordination with our various program managers and Federal partners to understand the impacts of G-Invoicing standards and to determine optimal solutions. The OCFO took the lead in developing GSA's implementation plan to elevate risks and challenges. During FY 2019, we submitted GSA's implementation plan to Treasury and hosted a multi-agency meeting to propose the workflow for monthly rent payments. GSA OCFO has been working closely with our partners and our internal business lines to fully prepare GSA for implementation of this important Government-wide initiative.

## Conclusion

OCFO made significant progress in FY 2019 in advancing GSA's culture of financial transparency, instilling operational excellence, and pursuing impactful automation initiatives. As a trusted partner with GSA's Services and Staff Offices, OCFO effectively balanced the importance of facilitating a rigorous controls environment with the importance of providing innovative, responsive, and accurate advisory services to all organizations within GSA.

As we move into FY 2020, GSA OCFO will continue to lead the RPA Community of Practice across the Federal Government, support Treasury's G-Invoicing initiative, and continuously refine our service offerings for GSA and Federal partners.

This is an exciting time for GSA OCFO, and I look forward to another year of significant progress. I appreciate the support I receive from staff and leadership as we work to perfect our operations and ensure GSA remains a good steward of public funds.



---

**Office of Audits  
Office of Inspector General  
U.S. General Services Administration**

---

**Independent Auditors' Report  
U.S. General Services Administration's  
Financial Statements - Fiscal Years 2019 and 2018  
November 13, 2019**





U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

NOV 14 2019

TO: EMILY W. MURPHY  
ADMINISTRATOR (A)

CC: GERARD BADORREK  
CHIEF FINANCIAL OFFICER (B)

FROM: CAROL F. OCHOA  
INSPECTOR GENERAL (J) *Carol F. Ochoa*

SUBJECT: Independent Auditors' Report  
U.S. General Services Administration's  
Financial Statements – Fiscal Years 2019 and 2018  
November 13, 2019

The Chief Financial Officers Act of 1990 (Public Law 101-576), as amended, requires the U.S. General Services Administration's (GSA's) Inspector General, or an independent external auditor, as determined by the Inspector General, to audit GSA's consolidated financial statements. Under a contract awarded by GSA and monitored by my office, KPMG LLP (KPMG), an independent public accounting firm, audited GSA's consolidated, Acquisition Services Fund, and Federal Buildings Fund financial statements as of September 30, 2019, and 2018. The contract required KPMG to perform the audit in accordance with U.S. generally accepted government auditing standards; the Office of Management and Budget's Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*; and the U.S. Government Accountability Office *Financial Audit Manual*, which is maintained by the U.S. Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency.

The Fiscal Year 2019 audit resulted in an unmodified opinion on the financial statements. An unmodified opinion means that the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.

In its audit of GSA's Fiscal Years 2019 and 2018 financial statements, KPMG found:

- The consolidated, Acquisition Services Fund, and Federal Buildings Fund financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles;
- No material weaknesses or significant deficiencies in internal control over financial reporting;

- No instances in which GSA's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996; and
- No reportable noncompliance with provisions of laws tested.

Details regarding KPMG's conclusions are included in the "Opinions," "Internal Control Over Financial Reporting," and "Compliance and Other Matters" sections of this report. Also, on November 13, 2019, KPMG will issue a separate Management Letter to GSA regarding other, less significant matters that came to its attention during the audit.

KPMG is responsible for the attached independent auditors' report and the opinions and conclusions expressed therein. My office is responsible for technical and administrative oversight regarding KPMG's performance under the terms of the contract.

To fulfill our oversight responsibilities under the Inspector General Act of 1978, as amended, to assure that KPMG complied with U.S. generally accepted government auditing standards, we performed a moderate level of review, which included:

- Evaluating the independence, objectivity, and qualifications of the firm and the auditors;
- Reviewing KPMG's audit approach and planning documents;
- Monitoring the progress of the audit at key milestones;
- Performing periodic reviews of KPMG's workpapers;
- Attending key meetings with GSA management and KPMG auditors to discuss audit progress, findings, and recommendations; and
- Performing other procedures that we deemed necessary.

In connection with the contract, we reviewed KPMG's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on GSA's financial statements or conclusions about the effectiveness of internal control over financial reporting, or conclusions on whether GSA's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act, or on compliance with laws and other matters. KPMG is responsible for the attached independent auditor's report dated November 13, 2019, and the conclusions expressed therein. However, our review disclosed no instances where KPMG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

I appreciate the courtesies and cooperation your office has extended to KPMG and my staff during the audit. If you have any questions, you may contact me at (202) 501-0450. If your staff needs any additional information, they may also contact R. Nicholas Goco, Assistant Inspector General for Auditing, at (202) 501-2322.

Attachment



KPMG LLP  
Suite 12000  
1801 K Street, NW  
Washington, DC 20006

## Independent Auditors' Report

Administrator and Inspector General  
United States General Services Administration:

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the U.S. General Services Administration (GSA), which comprise the consolidated balance sheets as of September 30, 2019 and 2018, and the related consolidated statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements (hereinafter referred to as "consolidated financial statements").

We have also audited the accompanying financial statements of the Acquisition Services Fund (ASF), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended (presented in Schedules 1-4), and the related notes to the ASF financial statements.

Further, we have also audited the accompanying financial statements of the Federal Buildings Fund (FBF), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended (presented in Schedules 1-4), and the related notes to the FBF financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated, ASF and FBF financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated, ASF, and FBF financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated, ASF and FBF financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated, ASF and FBF financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated, ASF and FBF financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated, ASF and FBF financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated, ASF and FBF financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express





no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated, ASF and FBF financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the U.S. General Services Administration as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

In our opinion, the ASF financial statements referred to above present fairly, in all material respects, the financial position of the Acquisition Services Fund as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

In our opinion, the FBF financial statements referred to above present fairly, in all material respects, the financial position of the Federal Buildings Fund as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

#### **Other Matters**

##### *Interactive Data*

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its financial statements. Such information is not a required part of the basic consolidated, ASF and FBF financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

##### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis, and Required Supplementary Information sections be presented to supplement the basic consolidated, ASF and FBF financial statements. Such information, although not a part of the basic consolidated, ASF and FBF financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic consolidated, ASF and FBF financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated, ASF and FBF financial statements, and other knowledge we obtained during our audits of the basic consolidated, ASF and FBF financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary and Other Information*

Our audits were conducted for the purpose of forming opinions on the basic consolidated financial statements as a whole, ASF financial statements as a whole and FBF financial statements as a whole. The information in the Other Funds and Intra-GSA Eliminations sections in the consolidating and combining financial statements in Schedules 1 through 4 (herein referred to as "consolidating information"), and the information in the Table of





Contents, About this Report, Letter from the Administrator, How GSA Benefits the Public, Letter from the Chief Financial Officer, Inspector General's Transmittal Memorandum of Independent Auditors' Report, and Other Information sections of GSA's 2019 *Agency Financial Report* are presented for purposes of additional analysis and are not a required part of the basic consolidated, ASF and FBF financial statements.

The consolidating information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic consolidated financial statements or to the basic consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the basic consolidated financial statements as a whole.

The information in the General Services Administration Websites, About this Report, Table of Contents, Frequently Asked Questions, Letter from the Administrator, How GSA Benefits the Public, Letter from the Chief Financial Officer, Inspector General's Transmittal Memorandum of Independent Auditors' Report, and Other Information of GSA's 2019 *Agency Financial Report* has not been subjected to auditing procedures applied in the audits of the basic consolidated, ASF and FBF financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

##### *Internal Control over Financial Reporting*

In planning and performing our audits of the consolidated, ASF and FBF financial statements as of and for the year ended September 30, 2019, we considered GSA's, ASF's and FBF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated, ASF and FBF financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSA's, ASF's and FBF's internal control. Accordingly, we do not express an opinion on the effectiveness of GSA's, ASF's and FBF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

##### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether GSA's consolidated, ASF and FBF financial statements as of and for the year ended September 30, 2019 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and



accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

We also performed tests of GSA's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances in which GSA's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

***Purpose of the Other Reporting Required by Government Auditing Standards***

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GSA's, ASF's and FBF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC  
November 13, 2019

## CONSOLIDATED FINANCIAL STATEMENTS

### U.S. General Services Administration Consolidated Balance Sheets

As of September 30, 2019 and September 30, 2018

(Dollars in Millions)

	2019	2018
<b>ASSETS</b>		
Intragovernmental Assets:		
Fund Balance with Treasury (Notes 1-D,2)	\$13,875	\$12,328
Accounts Receivable - Federal, Net (Note 4)	3,487	2,972
Capital Lease Payments Receivable (Note 8)	38	55
Unamortized Deferred Charges and Prepayments	109	111
Prepaid Expenses and Advances - Federal	122	139
Total Intragovernmental Assets	17,631	15,605
Accounts Receivable - Non-Federal, Net (Note 4)	125	144
Other Assets (Note 5)	73	92
Property and Equipment: (Notes 1-E,6)		
Buildings	49,136	47,518
Leasehold Improvements	290	306
Motor Vehicles	6,200	6,022
Equipment and Other Property	503	722
Less: Accumulated Depreciation and Amortization	(32,398)	(30,830)
Subtotal	23,731	23,738
Land	1,719	1,695
Construction in Process and Software in Development	1,402	1,668
Total Property and Equipment, Net	26,852	27,101
<b>TOTAL ASSETS</b>	<b>\$44,681</b>	<b>\$42,942</b>
<b>LIABILITIES AND NET POSITION</b>		
Intragovernmental Liabilities:		
Accounts Payable and Accrued Expenses - Federal	\$27	\$30
Judgment Fund Liability	507	495
Deferred Revenues and Advances - Federal	704	755
Amounts Owed to the General Fund	16	30
Other Intragovernmental Liabilities (Note 9)	55	72
Total Intragovernmental Liabilities	1,309	1,382
Accounts Payable and Accrued Expenses - Non-Federal	3,810	3,155
Environmental and Disposal Liabilities (Notes 6, 10-B)	1,786	2,007
Capital Lease and Installment Purchase Liability	711	685
Unamortized Rent Abatement Liability	521	476
Workers' Compensation Actuarial Liability (Note 7)	116	112
Annual Leave Liability (Note 1-F)	113	110
Deposit Fund Liability	19	16
Other Liabilities (Note 9)	88	83
Total Liabilities	8,473	8,026
Net Position:		
Unexpended Appropriations	680	429
Cumulative Results of Operations (Note 14)	35,528	34,487
Total Net Position	36,208	34,916
<b>TOTAL LIABILITIES AND NET POSITION (Note 11)</b>	<b>\$44,681</b>	<b>\$42,942</b>

The accompanying notes are an integral part of these statements.

U.S. General Services Administration  
**Consolidated Statements of Net Cost**

For the Fiscal Years Ended September 30, 2019 and September 30, 2018

(Dollars in Millions)

		2019	2018
<b>Manage Building Operations</b>	Earned Revenues	<b>\$11,785</b>	\$11,610
	Less: Operating Expenses	<b>11,241</b>	10,941
	Net Revenues from Operations	<b>544</b>	669
<b>Provide Acquisition Services</b>	Earned Revenues	<b>14,474</b>	12,194
	Less: Operating Expenses	<b>14,237</b>	12,092
	Net Revenues from Operations	<b>237</b>	102
<b>Working Capital and General Programs</b>	Earned Revenues	<b>44</b>	39
	Less: Operating Expenses	<b>289</b>	396
	Net Revenues (Costs) from Operations	<b>(245)</b>	(357)
<b>GSA Consolidated Net Results</b>	Earned Revenues	<b>26,303</b>	23,843
	Less: Operating Expenses	<b>25,767</b>	23,429
	Net Revenues from Operations	<b>\$536</b>	\$414

The accompanying notes are an integral part of these statements.

U.S. General Services Administration  
**Consolidated Statements of Changes in Net Position**

For the Fiscal Years Ended September 30, 2019 and September 30, 2018

(Dollars in Millions)

	2019	2018
<b>BEGINNING BALANCE OF NET POSITION:</b>		
Unexpended Appropriations	\$429	\$225
Cumulative Results of Operations	34,487	33,797
<b>Net Position Beginning Balance</b>	<b>34,916</b>	<b>34,022</b>
<b>RESULTS OF OPERATIONS:</b>		
Net Revenues From Operations	536	414
Appropriations Used (Note 1-C)	258	256
Non-Exchange Revenue (Notes 1-C, 1-D)	71	97
Imputed Financing Provided By Others	201	105
Transfers of Financing Sources		
(To) From the U.S. Treasury	(18)	(75)
Transfers of Net Assets and Liabilities		
(To) From Other Federal Agencies	14	(102)
Other	(21)	(5)
<b>Net Results of Operations</b>	<b>1,041</b>	<b>690</b>
<b>CHANGES IN UNEXPENDED APPROPRIATIONS:</b>		
Appropriations Received	390	461
Appropriations Used	(258)	(256)
Appropriations Adjustments and Transfers		
(To) From Other Agencies or Funds	119	(1)
<b>Net Change in Unexpended Appropriations</b>	<b>251</b>	<b>204</b>
<b>ENDING BALANCE OF NET POSITION:</b>		
Unexpended Appropriations	680	429
Cumulative Results of Operations	35,528	34,487
<b>Net Position Ending Balance</b>	<b>\$36,208</b>	<b>\$34,916</b>

The accompanying notes are an integral part of these statements.



## U.S. General Services Administration

**Combined Statements of Budgetary Resources**

For the Fiscal Years Ended September 30, 2019 and September 30, 2018

*(Dollars in Millions)*

	2019	2018
<b>BUDGETARY RESOURCES</b>		
Unobligated Balance from Prior Year Budget Authority, Net (Note 13)	<b>\$6,927</b>	\$6,150
Appropriations	<b>532</b>	477
Spending Authority from Offsetting Collections	<b>29,401</b>	26,953
Total Budgetary Resources	<b>36,860</b>	33,580
<b>STATUS OF BUDGETARY RESOURCES</b>		
New Obligations and Upward Adjustments	<b>29,696</b>	27,223
Unobligated Balance, End of Period		
Apportioned, Unexpired Accounts	<b>6,051</b>	5,182
Unapportioned, Unexpired Accounts	<b>1,060</b>	1,126
Unexpired Unobligated Balance, End of Period	<b>7,111</b>	6,308
Expired Unobligated balance, End of Period	<b>53</b>	49
Unobligated Balance, End of Period, Total	<b>7,164</b>	6,357
Total Status of Budgetary Resources	<b>36,860</b>	33,580
<b>OUTLAYS, NET</b>		
Net Outlays from Operating Activity	<b>(1,054)</b>	(501)
Distributed Offsetting Receipts	<b>(38)</b>	(89)
Total Net Outlays	<b>\$(1,092)</b>	\$(590)

The accompanying notes are an integral part of these statements.

# NOTES TO THE FINANCIAL STATEMENTS

(For the Fiscal Years Ended September 30, 2019 and 2018).

The General Services Administration (GSA) was created by the Federal Property and Administrative Services Act of 1949, as amended. Congress enacted this legislation to provide the Federal Government an economic and efficient system for the procurement and supply of personal property and nonpersonal services, the utilization of available property, the disposal of surplus property and records management.

The Administrator of GSA, appointed by the President of the United States with the advice and consent of the U.S. Senate, oversees the operations of GSA. GSA carries out its responsibilities through the use of both annual appropriations and revolving funds.

## 1. Significant Accounting Policies

### A. Reporting Entity

GSA presents comparative Consolidated and Consolidating Balance Sheets, Consolidated and Consolidating Statements of Net Cost, Consolidated and Consolidating Statements of Changes in Net Position, and Combined and Combining Statements of Budgetary Resources. The consolidating and combining formats display GSA's two largest components: the FBF and the ASF. All other entities are combined under Other Funds. In accordance with the SFFAS No. 47, Reporting Entity requirement to report disclosure entities and related parties, GSA conducted a thorough review of all our non-Federal relationships across all business lines. GSA concluded we have no relationships requiring disclosure as a consolidation entity, disclosure entity, or related party entity.

The FBF is the primary fund used to record activities of PBS. The ASF is the primary fund used to record activities of FAS.

GSA's accompanying financial statements include the accounts of all funds that have been established and maintained to account for resources under the control of GSA management. The entities included in the Other Funds category are described below, together with a discussion of the different fund types.

**Revolving Funds** are accounts established by law to finance a continuing cycle of operations with receipts derived from such operations usually available in their entirety for use by the fund without further action by Congress. Both the FBF and the ASF are large revolving funds. The revolving funds in the Other Funds category consist of the following:

- Federal Citizen Services Fund (FCSF)
- Working Capital Fund (WCF)

**General Funds** are accounts used to record financial transactions arising under congressional appropriations or other authorizations to spend general revenues. GSA manages 21 General Funds. Six of these General Funds are funded by one year appropriations; seven by no-year appropriations; three by multi-year appropriation one of which cannot incur new obligations; and five are budget clearing accounts that temporarily hold collections until a more appropriate fund can be determined. The General Funds included in the Other Funds category are as follows:

- Allowances and Office Staff for Former Presidents
- Asset Proceeds and Space Management
- Budget Clearing Account – Broker Rebates
- Budget Clearing Account – Proceeds of Sales, Personal Property
- Budget Clearing Account – Real Property
- Budget Clearing Account – Suspense
- Budget Clearing Account – Undistributed Intragovernmental Payments
- Civilian Board of Contract Appeals
- Data Driven Innovation – Executive Office of the President (EOP) Child
- Excess and Surplus Real and Related Personal Property Holding Account
- Expenses, Government-wide Policy
- Expenses, Government-wide Policy – Multi-Year
- Expenses, Presidential Transition
- Pre-Election Presidential Transition
- Information Technology Oversight and Reform - EOP Child
- Expenses, OIG
- OIG – No-Year
- OIG, Recovery Act
- Operating Expenses, GSA
- Real Property Relocation
- Technology Modernization Fund (TMF)

**Special and Trust Funds** are accounts established for receipts dedicated by law for a specific purpose, but are not generated by a cycle of operations for which there is continuing authority to reuse such receipts. In accordance with FASAB SFFAS No. 43, Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds, these Special and Trust Funds are classified as funds from dedicated collections. GSA uses Special Fund receipts to pay certain costs associated with the disposal of surplus real property, for funding of the Transportation Audits program, and to fund the Acquisition Workforce Training program. GSA has one Trust Fund with authority to accept unconditional gifts of property in aid of any project or function within its jurisdiction. GSA's Special and Trust Funds consist of the following:

- Environmental Review Improvement Fund<sup>2</sup>

---

<sup>2</sup> Fund, to date, has yet to receive any dedicated collections.

- Expenses, Disposal of Real and Related Personal Property
- Expenses, Transportation Audits
- Expenses, Acquisition Workforce Training Fund<sup>3</sup>
- Other Receipts, Surplus Real and Related Personal Property
- Receipts of Rent, Leases and Lease Payments for Government-Owned Real Property
- Receipts, Transportation Audits
- Receipts, Acquisition Workforce Training Fund
- Transfers of Surplus Real and Related Personal Property
- Unconditional Gifts of Real, Personal or Other Property

**Miscellaneous Receipt and Deposit Funds** are considered non-entity accounts since GSA management does not exercise control over how the monies in these accounts can be used. Miscellaneous Receipt Fund accounts hold receipts and accounts receivable resulting from miscellaneous activities of GSA where, by law, such monies may not be deposited into funds under GSA management control. The U.S. Department of the Treasury automatically transfers all cash balances in these receipt accounts to the General Fund of the U.S. Treasury at the end of each fiscal year. Deposit Fund accounts hold monies outside the budget. Accordingly, their transactions do not affect budget surplus or deficit.

These accounts include:

- Deposits received for which GSA is acting as an agent or custodian
- Unidentified remittances
- Monies withheld from payments for goods and services received, and
- Monies whose distribution awaits a legal determination or investigation.

The receipt and deposit funds in the Other Funds category consist of the following:

- Advances Without Orders from Non-Federal Sources
- GSA Child Care Deposits
- Fines, Penalties, and Forfeitures, Not Otherwise Classified
- Forfeitures of Unclaimed Money and Property
- General Fund Proprietary Interest, Not Otherwise Classified
- General Fund Proprietary Receipts, Not Otherwise Classified, All Other
- Other Earnings from Business Operations and Intragovernmental Revolving Funds
- Proceeds from Sale of Surplus Property

---

<sup>3</sup> Fund, to date, has yet to receive any dedicated collections.

- Small Escrow Amounts
- Special and Trust Fund Proprietary Receipts Returned to the General Fund of the U.S. Treasury
- Withheld State and Local Taxes

GSA is able to delegate authority for certain programs and financial operations to other Federal agencies to execute on GSA's behalf. Unique sub-accounts, also known as allocation accounts (child), of GSA funds (parent) are created in the U.S. Treasury to provide for the reporting of obligations and outlays incurred by such other agencies.

Generally, all child allocation account financial activity is reportable in combination with the results of the parent fund, from which the underlying legislative authority, appropriations and budget apportionments are derived.

In addition, other agencies may delegate certain programs and financial operations to GSA to execute on their behalf. The GSA Data Driven Innovation Fund was established in FY 2015 as a child account to the EOP Data Driven Innovation Fund. The amount transferred to this child account supports an initiative to increase tax filings by potentially eligible Earned Income Tax Credit claimants. In accordance with OMB Circular No. A-136, Financial Reporting Requirements, agencies that receive allocation transfers from the EOP are to include such balances in their financial statements.

## **B. Basis of Accounting and Presentation**

The principal financial statements are prepared from the books and records of GSA, in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB), and OMB Circular No. A-136, in all material respects. FASAB SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles*, including the Application of Standards Issued by the Federal Accounting Standards Board, established the hierarchy of GAAP for Federal financial statements. The Consolidated Statements of Net Cost present the operating results of the FBF, ASF and Other Fund functions, as well as GSA Consolidated operating results as a whole. The Consolidated Balance Sheets present the financial position of GSA using a format segregating intragovernmental balances. The Consolidated Statements of Changes in Net Position display the changes in Cumulative Results of Operations and Unexpended Appropriations. The Combined Statements of Budgetary Resources (CSBR) present the sources, status, and uses of GSA budgetary resources.

Transactions are recorded on both an accrual and budgetary basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred without regard to receipt or payment of cash. Budgetary accounting principles, on the other hand, are designed to facilitate compliance with legal requirements and controls over the use of Federal funds.

GSA reconciles all intragovernmental fiduciary transaction activity and works with agency partners to reduce significant or material differences reported by other agencies in conformance with U.S. Treasury intragovernmental reporting guidelines and requirements of OMB Circular No. A-136. On the Consolidated Statements of Net Cost, Consolidated Balance Sheets and Consolidated Statements of Changes in Net Position, all significant intra-agency balances and transactions are eliminated in consolidation. On the Consolidated Statements of Net Cost, adjustments are applied to eliminate GSA's intra-fund revenues and expenses. No such eliminations have been made on the CSBR.



On the Consolidating Statements of Net Cost, intra-GSA eliminations of revenue and expenses are displayed separately, and results displayed as FBF, ASF, and Other Funds reflect the full amounts of such balances that flowed through those funds. Certain amounts of expenses eliminated on the Consolidating Statements of Net Cost are imputed costs for which the matching resource is not revenue on this statement, but imputed resources provided by others, displayed on the Consolidating Statements of Changes in Net Position. Accordingly, on the Consolidating Statements of Net Cost, the revenue and expense eliminations do not match. The Consolidating Statements of Changes in Net Position display the offsetting balances between these categories.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Operating expenses and related accounts payable accruals and estimates are recorded in the period goods or services are received.

Certain prior year balances have been reclassified to conform to the current year presentation.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

### **C. Revenue Recognition and Appropriations Used**

Substantially all revenues reported by GSA funds on the Consolidated Statements of Net Cost are generated from intragovernmental sales of goods and services, with only three percent of revenues earned from non-Federal customers for the years ended September 30, 2019, and 2018. Expenses are primarily incurred with non-Federal entities supplying the underlying goods and services being provided to GSA and its Federal customers. Each revolving fund has established rate-setting processes governed by the laws authorizing its activities. In most cases, the rates charged are intended to cover the full cost that GSA funds will pay for such goods and services and to provide capital maintenance. In accordance with the governing laws, rates are generally not designed to recover imputed costs not borne by GSA, but covered by other funds or entities of the U.S. Government, such as for post-employment and other inter-entity costs. As the amount of services provided to non-Federal customers is generally insignificant, maintaining separate rate structures for these customers to recover imputed costs is not warranted.

Generally, Revolving Fund and reimbursable General Fund revenue is recognized when goods have been delivered or services rendered.

In the FBF, rent revenues are earned based on occupancy agreements (OA) with customers, as space and services are provided. Generally, agencies housed in Government-owned buildings are billed based upon commercial rates for comparable space. Agencies housed in buildings leased by GSA are generally billed at rates to recover the cost of that space. In some instances, special rates are arranged in accordance with congressional guidance or other authorized purposes. Most agencies using funding from Trust Funds have rent rates set to recover full cost. For revenue under non-recurring reimbursable building R&A projects, GSA charges customers actual cost, and as a result, revenues are generally earned to match costs incurred.

In the ASF, GSS revenues are recognized when goods are provided to customers. In the TTL portfolio, vehicle acquisition revenues are recognized when goods are provided. Vehicle leasing revenues are recognized based on rental arrangements over the period vehicles are dispatched. AAS revenues are recognized when goods or services are provided, and fee revenues in the GSA Schedules programs are earned based on estimated and

actual usage of GSA contracting vehicles by other agencies. The Schedules programs generated \$202 million in fees, constituting one percent of ASF revenues in FY 2019, and \$179 million in fees, one percent of ASF revenues, in FY 2018. Information Technology revenues are earned when goods or services are provided or as reimbursable project costs are incurred. Telecommunications service revenues are generally recognized based on customer usage or on fixed line rates.

The WCF charges fees based on a fee schedule established through an annual rate setting process performed collaboratively with our customers. The rate-setting process is generally designed to provide revenues sufficient to match the spending that will be incurred for the goods, services, and resources provided to customers. The rate-setting process also provides information to customers to assist in their resource management.

Non-Exchange Revenues are recognized on an accrual basis on the Consolidated Statements of Changes in Net Position for sales of surplus real property, reimbursements due from the audit of payments to transportation carriers, and other miscellaneous items resulting from GSA operations where ultimate collections must be deposited in miscellaneous receipt accounts of the U.S. Treasury.

Appropriations for General Fund activities are recorded as a financing source on the Consolidated Statements of Changes in Net Position when expended. Unexpended appropriations are reported as an element of Net Position on the Consolidated Balance Sheets.

#### **D. Fund Balance with Treasury (See Note 2)**

This total represents all unexpended balances for GSA accounts with the U.S Treasury. Substantially all balances of FBwT are available to GSA management to execute the authorities provided by its funds. In the following instances, authorities limit use of collections to dedicated purposes.

GSA acts as a disposal agent for surplus Federal real and personal property. In some cases, public law entitles the owning agency to the sales proceeds, net of disposal expenses incurred by GSA. Proceeds from the disposal of equipment are generally retained by GSA to replace equipment. Under GSA legislative authorities, the gross proceeds from some sales are deposited in GSA Special Fund receipt accounts and recorded as Non-Exchange Revenues in the Consolidated Statements of Changes in Net Position. A portion of these proceeds is subsequently transferred to a Special Fund to finance expenses incurred in disposing of surplus real property. The remainder is periodically accumulated and transferred, by law, to the Land and Water Conservation Fund administered by the U.S. Department of the Interior (DOI).

#### **E. Property and Equipment (See Note 6)**

Generally, property and equipment purchases of \$10,000 or more, having a useful life of two or more years, are capitalized and valued at cost. Property and equipment transferred to GSA from other Federal agencies on the date GSA was established is stated at the transfer value, which approximates historical cost. Subsequent thereto, equipment transferred to GSA is stated at net book value and surplus real and related personal property transferred to GSA is stated at the lower of net book value or appraised value.

Expenditures for major additions, replacements and alterations to real property of \$50,000 or more are capitalized. Normal repair and maintenance costs are expensed as incurred. The cost of R&A and leasehold improvements performed by GSA, but financed by other agencies, is not capitalized in GSA financial statements as such amounts are transferred to the other agencies upon completion of the project. The majority of all land, buildings and leasehold improvements are leased to other Federal agencies under short-term cancelable agreements.

Depreciation and amortization of property and equipment are calculated on a straight-line basis over their initial or remaining useful lives. Leasehold Improvements are amortized over the lesser of their useful lives, generally five years, or the unexpired lease term. It is GSA policy to reclassify capitalized costs of construction in process into the Buildings accounts upon project completion. Buildings acquired through purchase, construction, or under capital lease agreements are depreciated over 30 years. Major and minor building renovation projects carry estimated useful lives of 20 years and 10 years, respectively.

Most of the assets comprising Other Equipment are used internally by GSA and are depreciated over periods generally ranging from three to 10 years.

GSA maintains a fleet of Motor Vehicles for rental to other Federal agencies to meet their operational needs, with monthly billings rendered to recover program costs. The various vehicle types are depreciated over a general range of four to 12 years.

In accordance with FASAB SFFAS No. 10, Accounting for Internal Use Software, capitalization of software development costs incurred for systems having a useful life of two years or more is required. With implementation of this standard, GSA adopted minimum dollar thresholds per system that would be required before capitalization would be warranted. For the FBF, this minimum threshold is \$1 million. For all other funds, it is \$250,000. Once completed, software applications are depreciated over an estimated useful life determined on a case-by-case basis, ranging from three to ten years. Capitalized software is reported as an element of Other Equipment on the Consolidated Balance Sheets.

#### **F. Annual, Sick and Other Types of Leave**

Annual leave liability is accrued as it is earned and the accrual is reduced as leave is taken. Each year the balance in the accrued annual leave account is adjusted to reflect current pay rates.

Sick leave and other types of non-vested leave are expensed as taken.

## **2. Fund Balance with Treasury (FBwT)**

### **A. Reconciliation to U.S. Treasury**

There were no material differences between amounts reported by GSA and those reported to the U.S. Treasury as of September 30, 2019, and 2018.

### **B. Relationship to the Budget**

In accordance with SFFAS No. 1, Accounting for Selected Assets and Liabilities, the following information is provided to further identify amounts in FBwT as of September 30, 2019, and 2018, against which obligations have been made, and for unobligated balances, to identify amounts available for future expenditures and those only available to liquidate prior obligations. In the FBF, amounts of FBwT shown below as Unobligated Balance – Unavailable include a combination of balances recorded as Resources Temporarily Unavailable and Unobligated Balance Not Available. Also, in two instances, the portion of FBwT presented below as unobligated balances will not equal related amounts reported on the CSBR. In the FBF, the CSBR unobligated balances include resources associated with borrowing authority for which actual funds have not yet been realized. In the Other Funds group, the schedule below includes Non-Budgetary FBwT held in Special Receipt, Clearing, and Deposit Funds, which are not reportable for purposes of the CSBR. The following schedule presents elements of the FBwT:

**2B. Fund Balance with Treasury** (*Dollars in Millions*)

	Obligated	Unobligated Balance		Non-Budgetary FBwT	Total
	Balance, Net <sup>1</sup>	Available	Unavailable		
<b>2019</b>					
FBF	\$172	\$4,916	\$6,817	\$—	\$11,905
ASF	(167)	936	374	—	1,143
Other Funds	333	173	183	138	827
<b>Total</b>	<b>\$338</b>	<b>\$6,025</b>	<b>\$7,374</b>	<b>\$138</b>	<b>\$13,875</b>
<b>2018</b>					
FBF	\$47	\$4,411	\$6,240	\$—	\$10,698
ASF	(89)	573	362	—	846
Other Funds	301	171	155	157	784
<b>Total</b>	<b>\$259</b>	<b>\$5,155</b>	<b>\$6,757</b>	<b>\$157</b>	<b>\$12,328</b>

<sup>1</sup> Negative amounts in Obligated Net Balance are the result of Uncollected Customer Payments exceeding Unpaid Obligations.

**C. Availability of Funds**

Included in GSA's FBwT are dedicated collections from Special Receipt Funds that may be transferred to either the U.S. Treasury, or the Land and Water Conservation Fund (see Note 1-D). These amounts, related to the Transportation Audits program and surplus real property disposals, are subject to transfer upon GSA's annual determination of the costs incurred by these programs. The FBwT in these funds totaled \$101 and \$107 million at September 30, 2019, and 2018, respectively, of which \$12 and \$20 million, respectively, were recorded as liabilities in the Consolidated Balance Sheets. In FY 2019 and FY 2018, \$1 and \$2 million, respectively, of unused funds from expired appropriations were returned to the U.S. Treasury as of September 30. Such balances are excluded from the amount reported as FBwT in accordance with U.S. Treasury guidelines. A portion of FBwT also includes amounts where authority to incur new obligations has expired, but the funds are available to liquidate residual obligations that originated when the funds were available. Such expired balances totaled \$53 million and \$48 million at September 30, 2019, and 2018, respectively. The FBF has balances that are temporarily not available in accordance with annual appropriation acts that limit the amount of reimbursable resources that are available for spending each year. Such amounts totaled \$6.3 billion and \$5.6 billion at September 30, 2019, and 2018, respectively and will not be available for expenditure except as authorized in future appropriation acts.

Under ASF legislative authorities, GSA is permitted to retain earnings to ensure the fund has sufficient resources to support operations in association with a cost and capital plan as approved by the Administrator of GSA. The ASF returned zero funds to the U.S. Treasury in FY 2018. The ASF Cumulative Results of Operations at the end of FY 2019 is expected to return \$7 million to the U.S. Treasury. These activities are in accordance with the cost and capital plan to meet program needs. Cumulative Results of Operations in the ASF have been used for activities such as to cover discontinued operations and investments in Government-wide software applications to include the System for Award Management (SAM) and the Common Acquisition Platform.

### 3. Non-entity Assets

As of September 30, 2019, and 2018, certain amounts reported on the Consolidated Balance Sheets are elements of Budget Clearing, Deposit, and Miscellaneous Receipt Funds, which are not available to management for use in ongoing operations and are classified as non-entity assets (see Note 1-A). The only substantial balances of non-entity assets were Fund Balance with Treasury, which totaled \$36 million and \$50 million, as of September 30, 2019, and 2018, respectively.

### 4. Accounts and Notes Receivable, Net

Substantially all accounts receivable are from other Federal agencies, with only 3.5 percent and 4.6 percent due from non-Federal customers as of September 30, 2019, and 2018, respectively. Unbilled accounts receivable result from the delivery of goods or performance of services for which bills have not yet been rendered. Additionally, TMF transfers to other Federal Agencies are recorded as accounts receivable, as legislation requires transferred funds to be repaid to the TMF. Allowances for doubtful accounts are recorded using aging methodologies based on analysis of historical collections and write-offs. As of September 30, 2019, and 2018, accumulated unrecognized interest on all notes deemed uncollectible totaled \$240 million and \$212 million, respectively. A summary of Accounts Receivable as of September 30, 2019, and 2018, is as follows:

#### 4. Accounts Receivable (Dollars in Millions)

	FBF		ASF		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accounts Receivable -billed	\$117	\$190	\$98	\$161	\$10	\$20	\$—	\$—	\$225	\$371
Accounts Receivable -unbilled	322	313	3,078	2,469	43	13	48	38	3,395	2,757
Allowance for Doubtful Accounts	(4)	(6)	(2)	(3)	(2)	(3)	—	—	(8)	(12)
<b>Total Accounts Receivable, Net</b>	<b>\$435</b>	<b>\$497</b>	<b>\$3,174</b>	<b>\$2,627</b>	<b>\$51</b>	<b>\$30</b>	<b>\$48</b>	<b>\$38</b>	<b>\$3,612</b>	<b>\$3,116</b>

### 5. Other Assets

As of September 30, 2019, and 2018, Other Assets were comprised of the following balances:

#### 5. Other Assets (Dollars in Millions)

	FBF		ASF		Other Funds		GSA CONSOLIDATED TOTALS	
	2019	2018	2019	2018	2019	2018	2019	2018
Surplus Property Held for Sale	\$36	\$36	\$19	\$22	\$—	\$—	\$55	\$58
Intangible Assets	—	—	15	19	—	—	15	19
Miscellaneous	3	12	—	3	—	—	3	15
<b>Total Other Assets</b>	<b>\$39</b>	<b>\$48</b>	<b>\$34</b>	<b>\$44</b>	<b>\$—</b>	<b>\$—</b>	<b>\$73</b>	<b>\$92</b>



## 6. Property and Equipment, Net

### A. Summary of Balances

Balances in GSA Property and Equipment accounts subject to depreciation as of September 30, 2019, and 2018, are summarized below:

#### 6A. Property and Equipment (Dollars in Millions)

	2019			2018		
	Cost	Accumulated Depreciation	Net book Value	Cost	Accumulated Depreciation	Net book Value
Buildings:						
FBF	\$49,136	\$29,450	\$19,686	\$47,518	\$27,791	\$19,727
Leasehold Improvements:						
FBF	272	250	22	269	242	27
ASF	14	9	5	33	27	6
Other Funds	4	3	1	4	2	2
Total Leasehold Improvements	290	262	28	306	271	35
Motor Vehicles:						
ASF	6,200	2,254	3,946	6,022	2,119	3,903
Other Equipment:						
FBF	140	126	14	167	149	18
ASF	189	148	41	387	352	35
Other Funds	174	158	16	168	148	20
Total Other Equipment	503	432	71	722	649	73
<b>Total, Depreciable Property &amp; Equipment</b>	<b>\$56,129</b>	<b>\$32,398</b>	<b>\$23,731</b>	<b>\$54,568</b>	<b>\$30,830</b>	<b>\$23,738</b>

### B. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities represent cleanup costs associated with removing, containing, and disposing of (1) hazardous waste from property; (2) material and property that consists of hazardous waste at permanent or temporary closure, or shutdown of associated plant, property and equipment (PP&E) (i.e. asset retirement and equipment disposal); or (3) asbestos. Cleanup costs may include characterization, decontamination, decommissioning, restoration, monitoring, closure, post closure, future surveys, studies and assessments on the environmental site. Cleanup costs also may include compensation and benefits of human resources devoting a significant amount of time directly to the remediation effort.

In accordance with guidance issued by FASAB, SFFAS No. 5, Accounting for Liabilities of the Federal Government and SFFAS No. 6, Accounting for Property, Plant, and Equipment, Federal Financial Accounting and Auditing Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government, GSA is required to recognize a liability for environmental related cleanup costs resulting from past transactions or events and when a future outflow or other sacrifice of resources is probable and reasonably estimable. GSA's FBF assesses the likelihood of required cleanup for PP&E, including

land acquired for or in connection with other PP&E, used in providing goods or services. If the likelihood of required cleanup is probable and the cost can be reasonably estimated, a liability is recorded in the financial statements, if the likelihood is probable but not reasonably estimated or reasonably possible, the costs of cleanup are disclosed in the notes to the financial statements; and if the likelihood is remote, no liability or estimate is recorded or disclosed.

Environmental related cleanup costs include liabilities covered by current budgetary resources and liabilities not covered by current budgetary resources known as future funded expenses.

Cleanup of such hazards is governed by various Federal and state laws. The laws most applicable to GSA are the Comprehensive Environmental Response Compensation and Liability Act of 1980, the Asbestos Hazard Emergency Response Act, and the Resource Conservation and Recovery Act. Various state, local laws and regulations are also applicable.

GSA's FBF recognized \$1.781 billion and \$1.871 billion for Environmental and Disposal Liabilities as of September 30, 2019, and 2018, respectively, for properties currently in GSA's inventory. Included in this balance are the current estimates for potential future cleanup costs associated with: release of hazardous substances (into the environment) at properties where GSA is legally responsible for cleanup; asbestos liabilities (e.g., abatement); and non-asbestos liabilities (e.g., lead abatement) associated with PP&E at asset retirement or disposal (dollars in millions).

#### 6B. Environmental and Disposal Liabilities (Dollars in Millions)

	2019	2018
Environmental Liabilities (external releases to the environment)	\$133	\$148
Asbestos Liabilities	1,379	1,458
PP&E: Non-asbestos Liabilities	269	265
<b>Total Environmental and Disposal Liabilities (amortized)<sup>1</sup></b>	<b>\$1,781</b>	<b>\$1,871</b>

<sup>1</sup> Does not include non-GSA assets which are included on the Balance Sheet

#### C. Environmental Liabilities: External Releases to the Environment

PBS reported a total estimated environmental liability (releases to the environment) of \$133 million for FY 2019. This is a decrease from \$148 million reported in FY 2018. The decrease is attributable to remediation efforts along with cost re-estimations for environmental services (e.g., remediation activities) and adjustments to the scope of services for projects managed by PBS. PBS' environmental remediation projects range from the cleanup of hazardous substances (chemical solvents, toxic metals, polychlorinated biphenyls) and petroleum released into the soil and groundwater to complex, long-term remediation of former Department of Defense sites (munitions manufacturing and stockpile centers). GSA's PBS does not have any sites identified as probable but not reasonably estimable regarding cleanup costs. As of September 30, 2019 and 2018, GSA's FBF had \$20.8 million and \$21.3 million, respectively, for 'reasonably possible' cleanup costs.

#### D. Asbestos Liabilities

In accordance with FASAB Technical Bulletin 2006-1, Recognition and Measurement of Asbestos-Related Cleanup Costs, the focus is to recognize an unfunded liability and related expenses for asbestos related cleanup costs where it is both probable and reasonably estimable for Federal entities that own tangible property, plant and equipment containing asbestos.

GSA's methodology for developing estimated future asbestos liability involved selection of asbestos abatement survey reports performed by third party contractors, independent from GSA, to develop an average cost factor. The average cost factor from these asbestos survey reports is applied to GSA's total square feet of applicable inventory in order to determine the total estimated asbestos liability.

In accordance with Technical Bulletin 2006-1, GSA recognizes cleanup costs, over the estimated life of the underlying assets. The building useful life of 30 years is used for purposes of recognizing and amortizing the long term estimated asbestos cleanup costs. During FY 2019, changes to GSA's total estimated liability consisted of cost re-estimates, inflation and amortization of remaining future year costs.

The amortized asbestos related liabilities reported for FY 2019 are \$1.4 billion which is a decrease from FY 2018 of \$1.5 billion. The unamortized asbestos liabilities for FY 2019 compared to FY 2018 are \$8.4 million and \$10.3 million, respectively.

### **E. Property, Plant & Equipment: Non-asbestos Liabilities**

Non-Asbestos Liabilities GSA reports cleanup costs associated with PP&E that consist of removal of hazardous waste at asset retirement or related to equipment disposal in the financial statements under PP&E - non-asbestos liabilities. GSA's methodology for estimating non-asbestos related liabilities captures the cost of remediating certain hazards, such as, but not limited to, lead based paint and polychlorinated biphenyls.

GSA's methodology uses actual cost data from major renovation projects and cost estimates from independent third party environmental surveys, to develop average cost factors for PP&E non-asbestos remediation. These average cost factors are applied to GSA's total square feet of applicable inventory in order to determine the total estimated non-asbestos liability. For FY 2019, the amortized PP&E non-asbestos related liabilities are \$269 million compared to FY 2018 of \$265 million. The increase is due to changes in non-asbestos liability cost factors based upon updated project and building surveys' cost estimate data. The unamortized PP&E non-asbestos liabilities for FY 2019 compared to FY 2018 are \$42.2 million and \$43.6 million, respectively.

### **F. Heritage Assets**

The average age of GSA buildings is 49 years old; therefore, many buildings have historical, cultural and/or architectural significance. While GSA uses these buildings to meet the office space and other needs of the Federal Government, maintaining and preserving these historical elements is a significant priority. In accordance with FASAB SFFAS No. 29, Heritage Assets and Stewardship Land, these buildings meet the definition of Multi-use Heritage Assets, and are reportable within Property and Equipment on the Consolidated Balance Sheets. Deferred maintenance and repairs related to GSA's heritage assets are separately disclosed in the required supplementary information.

GSA defines its Historic Buildings as those buildings that are either listed on the National Register of Historic Places, have formally been determined eligible, or appear to meet eligibility criteria to be listed. In FY 2019 GSA has 413 buildings on the National Register, up from 411 at the end of FY 2018, of which 74 are designated as National Historic Landmarks. An additional 92 buildings are potentially eligible for listing on the National Register, but have not gone through the formal listing process. Under the National Historic Preservation Act, GSA is required to give these buildings special consideration, including first preference for Federal use and rehabilitation in accordance with standards established by the DOI.

GSA also has a collection of artworks with historical significance, maintained for display in Federal buildings to increase the cultural and aesthetic quality of the buildings for visitors and workers.

## 7. Workers' Compensation Benefits

The Federal Employees' Compensation Act (FECA) provides wage replacement and medical cost protection to covered Federal civilian employees injured on the job, incurred a work-related occupational disease, or beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which initially pays valid claims and subsequently seeks reimbursement from the Federal agencies employing the claimants. DOL provides the actuarial liability for claims outstanding at the end of each fiscal year. This liability includes the estimated future costs of death benefits, workers' wage replacement, and medical and miscellaneous costs for approved compensation cases.

The present value of these estimates at the end of FY 2019 and FY 2018 were calculated by DOL using the following discount rates:

### 7. Discount Rates

Type of Benefits	2019		2018	
	Year 1	Year 2 and thereafter	Year 1	Year 2 and thereafter
Wage Benefits	2.61%	2.61%	2.72%	2.72%
Medical Benefits	2.35%	2.35%	2.38%	2.38%

At September 30, 2019, and 2018, GSA's actuarial liability totaled \$116 million and \$112 million, respectively. As reported in Note 9, the Workers Compensation accrued liability at September 30, 2019, and 2018, totaled \$24 million and \$24 million, respectively.

## 8. Leasing Arrangements

As of September 30, 2019, GSA was committed to various non-cancelable operating leases covering office space and warehouse storage facilities maintained by the FBF. Many of these leases contain escalation clauses tied to inflation, tax increases, and renewal options. The following are schedules of future minimum rental payments required under leases that have initial or remaining non-cancelable terms in excess of one year, and under capital leases together with the present value of the future minimum lease payments. For the present value of future minimum lease payments under capital leases, \$3 million is already covered by budget authority while \$48 million will have funding made available in the year the payment is due (dollars in millions):

**8A. Future Minimum Rental Payments** (*Dollars in Millions*)

OPERATING LEASES		CAPITAL LEASES	
FISCAL YEAR	FBF	FISCAL YEAR	FBF
2020	\$3,837	2020	\$27
2021	3,253	2021	22
2022	2,614	2022	4
2023	2,188	2023	—
2024	1,867	2024	—
2025 and thereafter	8,231	2025 and thereafter	—
<b>Total future minimum lease payments</b>	<b>\$21,990</b>	<b>Total future minimum lease payments</b>	<b>\$53</b>
		Less: Amounts representing	
		Interest	3
		Executory Costs	—
		<b>Total obligations under capital leases</b>	<b>\$50</b>

Substantially all leased and owned space maintained by the FBF is sublet to other Federal agencies at rent charges to recover GSA's cost of that space, or commercial equivalent charges. The majority of agreements covering these arrangements allow customer agencies to terminate the agreement with four months' notice, any time after the first 16 months of the agreement term. In some instances, agreements with customers may include non-cancellation clauses or restricted clauses that limit the ability to cancel prior to the agreement's expiration date.

Customer agencies may also enter into a supplemental occupancy agreement with the GSA's Furniture and Information Technology (FIT) program. This program assists customers with right-sizing their operations to improve space utilization, reduce the real estate footprint, and increase workplace efficiency while minimizing initial capital investments for items such as furniture and information technology equipment. Base terms generally have a duration of 60 months for furniture and 36 months for IT equipment. GSA believes that these agreements will also continue without interruption. The following is a schedule displaying the future minimum rental revenues due to GSA for all non-cancelable and restricted clause agreements with terms in excess of one year:

**8B. Future Minimum Rental Payments** (*Dollars in Millions*)

OPERATING LEASE REVENUES			
Fiscal Year	FBF	ASF	Total
2020	\$1,775	\$4	<b>\$1,779</b>
2021	1,389	3	<b>1,392</b>
2022	1,158	2	<b>1,160</b>
2023	1,042	1	<b>1,043</b>
2024	945	—	<b>945</b>
2025 and thereafter	6,102	—	<b>6,102</b>
<b>Total future minimum lease receipts</b>	<b>\$12,411</b>	<b>\$10</b>	<b>\$12,421</b>



For four of GSA's buildings, the rental agreements with the customer include transfer of building ownership at the end of the rental term. FIT currently has five agreements where the furniture and IT equipment may transfer to the customer agency at the end of the agreement term. The remaining minimum rental payments due from these agreements are as follows:

**8C. Future Minimum Rental Payments** (*Dollars in Millions*)

<b>DIRECT FINANCING LEASE REVENUES</b>			
<b>Fiscal Year</b>	<b>FBF</b>	<b>ASF</b>	<b>Total</b>
2020	\$8	\$1	\$9
2021	4	1	5
2022	4	—	4
2023	3	—	3
2024	3	—	3
2025 and thereafter	14	—	14
Total future minimum receipts	<b>\$36</b>	<b>\$2</b>	<b>\$38</b>

Rental income under subleasing agreements and related reimbursable arrangements for tenant improvements and above standard service requirements approximated \$6.6 billion and \$6.4 billion for the years ended September 30, 2019, and 2018, respectively. The vast majority of the rental income in FY 2019 comes from Federal sources while only \$26 million is from outleases to non-Federal entities. Rent expense under all operating leases, including short-term non-cancelable leases, was approximately \$5.8 billion for both years ended September 30, 2019, and 2018. Of the \$5.8 billion in FY 2019 rent expense, only \$23 million was paid to other Federal agency lessees with the remaining expense being paid to non-Federal entities. The Consolidated Balance Sheets as of September 30, 2019, and 2018, include capital lease assets of \$363 million and \$383 million for buildings, respectively and accumulated amortization on such structures of \$343 million and \$330 million, respectively. For substantially all of its leased property, GSA expects that in the normal course of business such leases will be either renewed or replaced in accordance with the needs of its customer agencies.

## 9. Other Liabilities

As of September 30, 2019 and 2018, the amounts reported on the Consolidated Balance Sheets as Other Intragovernmental Liabilities and Other Liabilities, are substantially long-term in nature, with the exception of Federal Benefit Withholdings, Salaries and Benefits Payable, and Deposits in Clearing Funds, which are current liabilities. Other Intragovernmental Liabilities and Other Liabilities consisted of the following:

**9. Other Intragovernmental Liabilities and Other Liabilities** (Dollars in Millions)

	FBF		ASF		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>OTHER INTRAGOVERNMENTAL LIABILITIES</b>										
Workers' Compensation Due to DOL	\$14	\$16	\$7	\$5	\$3	\$3	\$—	\$—	\$24	\$24
Federal Benefit Withholdings	7	6	4	4	4	4	—	—	15	14
Deposits in Clearing Funds	—	—	—	—	16	34	—	—	16	34
Other	—	—	—	—	21	—	21	—	—	—
<b>Total Other Intragovernmental Liabilities</b>	<b>21</b>	<b>22</b>	<b>11</b>	<b>9</b>	<b>44</b>	<b>41</b>	<b>21</b>	<b>—</b>	<b>55</b>	<b>72</b>
<b>OTHER LIABILITIES</b>										
Salaries and Benefits Payable	24	21	16	14	15	12	—	—	55	47
Deferred Revenues/Advances from the Public	15	14	—	—	—	—	—	—	15	14
Lease Termination Liability	—	—	5	8	—	—	—	—	5	8
Contingencies	3	1	—	—	—	—	—	—	3	1
Pensions for Former Presidents	—	—	—	—	10	13	—	—	10	13
<b>Total Other Liabilities</b>	<b>\$42</b>	<b>\$36</b>	<b>\$21</b>	<b>\$22</b>	<b>\$25</b>	<b>\$25</b>	<b>\$—</b>	<b>\$—</b>	<b>\$88</b>	<b>\$83</b>

**10. Commitments and Contingencies****A. Commitments and Undelivered Orders**

In addition to future lease commitments discussed in Note 8, GSA is committed under obligations for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all GSA activities at September 30, 2019, and 2018, are as follows:

**10A. Undelivered Orders** (Dollars in Millions)

	2019					2018				
Fund	Federal	Non-Federal	Paid	Unpaid	Total	Federal	Non-Federal	Paid	Unpaid	Total
FBF	\$148	\$3,325	\$122	\$3,351	\$3,473	\$190	\$3,220	\$135	\$3,275	\$3,410
ASF	352	8,361	19	8,694	8,713	259	6,975	26	7,208	7,234
Other Funds	150	146	—	296	296	119	134	1	252	253
<b>Total Undelivered Orders</b>	<b>\$650</b>	<b>\$11,832</b>	<b>\$141</b>	<b>\$12,341</b>	<b>\$12,482</b>	<b>\$568</b>	<b>\$10,329</b>	<b>\$162</b>	<b>\$10,735</b>	<b>\$10,897</b>

**B. Contingencies**

GSA is a party in various administrative proceedings, legal actions, environmental suits and claims brought by or against the agency. In the opinion of GSA management and legal counsel, the ultimate resolution of these proceedings, actions and claims will not materially affect the financial position or results of operations of GSA, FBF, or ASF, and the Other Funds. Based on the nature of each claim, resources available to liquidate these liabilities may be from GSA funds or, in some instances, are covered by the U.S. Treasury Judgment Fund, as discussed below.

In many cases, legal contingencies that directly involve GSA relate to contractual arrangements GSA entered into either for property or services it has obtained or procured on behalf of other Federal agencies. The costs of administering, litigating and resolving these actions are generally borne by GSA unless it can recover the cost from another Federal agency. Certain legal matters in which GSA may be a named party are administered and, in some instances, litigated by other Federal agencies. Amounts to be paid under any decision, settlement or award pertaining thereto are sometimes funded by those agencies.

Environmental contingencies and most tort claims are administered and resolved by the U.S. Department of Justice, and any amounts necessary for resolution are obtained from the U.S. Treasury Judgment Fund. In accordance with the FASAB's Interpretation No. 2, Accounting for Treasury Judgment Fund Transactions, costs incurred by the Federal Government are to be reported by the agency responsible for incurring the liability, or to which liability has been assigned, regardless of the ultimate source of funding. The cost of environmental contingencies is estimated in accordance with the FASAB Accounting and Auditing Policy Committee's Federal Financial Accounting and Auditing Technical Release No. 2, Determining Probable and Reasonably Estimable for Environmental Liabilities in the Federal Government. For most environmental contingencies, GSA has no managerial responsibility other than as custodian and successor on claims made against former Federal entities, particularly former World War II defense related activities.

Probable Contingencies are pending and threatened legal matters for which, in the opinion of GSA management and legal counsel, a loss is likely, and the amount of the loss can be estimated. These matters arise in the course of carrying out GSA programs and operations, including contracting actions, operating carbon-fueled vehicles, owning and leasing buildings and facilities for other Federal agencies and related claims. These contingencies are accrued in GSA's financial records.

GSA also has contingencies where the likelihood of loss is more than a remote chance, but less than likely to occur and those are deemed reasonably possible. Reasonably possible involve a wide variety of allegations and claims. Accordingly, no balances have been recorded in the financial statements for these contingencies.

The accrued and potential contingencies as of September 30, 2019 and 2018, are summarized in the table below:

**10B. Accrued and Possible Contingencies** (*Dollars in Millions*)

2019	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
<b>Legal Contingencies:</b>			
Probable - FBF	\$3	\$3	\$4
Probable - Other Funds	—	—	1
<b>Total Probable</b>	<b>\$3</b>	<b>\$3</b>	<b>\$5</b>
Reasonably Possible - ASF		\$2	\$13
Reasonably Possible - FBF		73	250
Reasonably Possible - Other Funds		10	67
<b>Total Reasonably Possible</b>		<b>\$85</b>	<b>\$330</b>
<b>Environmental Contingencies:</b>			
Probable - Other Funds	\$5	\$5	\$5
Reasonably Possible - Other Funds		\$40	\$181
2018			
<b>Legal Contingencies:</b>			
Probable - FBF	\$1	\$1	\$1
Reasonably Possible - ASF		1	2
Reasonably Possible - FBF		82	290
Reasonably Possible - Other Funds		—	29
<b>Total Reasonably Possible</b>		<b>\$83</b>	<b>\$321</b>
<b>Environmental Contingencies:</b>			
Probable - Other Funds	\$136	\$136	\$137
Reasonably Possible - Other Funds		\$125	\$246

**C. U.S. Treasury Judgment Fund**

In 1956, Congress enacted the Judgment Fund as a permanent, indefinite appropriation for the payment of claims that did not have another source of funding. This resulted in prompter payments that reduced the interest that accrued against the Government between the claim judgment and the claim payment.

The recognition of claims to be funded solely through the Judgment Fund on GSA Consolidated Statements of Net Cost and Consolidated Balance Sheets is, in effect, recognition of these liabilities against the Federal Government as a whole, and should not be interpreted as claims against the assets or resources of any GSA fund, nor will any future resources of GSA be required to liquidate any resulting losses.

Amounts paid from the Judgment Fund on behalf of GSA, regardless of ultimate funding, were as follows:

**10C. Judgment Fund Payments** (*Dollars in Millions*)

Fund	2019	2018
FBF	\$12	\$5
Other Funds	101	8
<b>Total Judgment Fund Payments</b>	<b>\$113</b>	<b>\$13</b>

Of these amounts, most significant balances are related to the Contract Disputes Act and Environmental and Disposal claims. GSA is not required to reimburse the Judgment Fund except for Judgment Fund payments related to claims arising under the Contract Disputes Act and the Notification and Federal Employee Anti-Discrimination and Retaliation Act.

## 11. Liabilities Not Covered By Budgetary Resources

As of September 30, 2019 and 2018, budgetary resources were not yet available to fund certain liabilities reported on the Consolidated Balance Sheets. For such liabilities, most are long-term in nature where funding is generally made available in the year payments are due or anticipated. The portion of liabilities reported on the Consolidated Balance Sheets that are not covered by budgetary resources consists of the following:

### 11. Liabilities Not Covered By Budgetary Resources (Dollars in Millions)

	FBF		ASF		Other Funds		Less: Intra-GSA Eliminations		GSA Consolidated Totals	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Judgment Fund Liability	\$507	\$495	\$—	\$—	\$—	\$—	\$—	\$—	\$507	\$495
Deferred Revenues and Advances - Federal	655	696	7	9	—	—	—	—	662	705
Other Intragovernmental Liabilities	14	16	7	5	24	3	21	—	24	24
<b>Total Intragovernmental Liabilities Not Covered by Budgetary Resources</b>	<b>1,176</b>	<b>1,207</b>	<b>14</b>	<b>14</b>	<b>24</b>	<b>3</b>	<b>21</b>	<b>—</b>	<b>1,193</b>	<b>1,224</b>
Environmental and Disposal	1,781	1,871	—	—	5	136	—	—	1,786	2,007
Capital Lease and Installment Purchase Liability	708	679	—	—	—	—	—	—	708	679
Workers' Compensation Actuarial Liabilities	67	74	37	24	12	14	—	—	116	112
Annual Leave Liability	49	48	34	33	30	29	—	—	113	110
Other Liabilities	3	1	5	8	10	13	—	—	18	22
<b>Total Non-Intragovernmental Liabilities Not Covered by Budgetary Resources</b>	<b>2,608</b>	<b>2,673</b>	<b>76</b>	<b>65</b>	<b>57</b>	<b>192</b>	<b>—</b>	<b>—</b>	<b>2,741</b>	<b>2,930</b>
<b>Total Liabilities Not Covered By Budgetary Resources</b>	<b>3,784</b>	<b>3,880</b>	<b>90</b>	<b>79</b>	<b>81</b>	<b>195</b>	<b>21</b>	<b>—</b>	<b>3,934</b>	<b>4,154</b>
<b>Total Liabilities Covered By Budgetary Resources</b>	<b>1,077</b>	<b>1,019</b>	<b>2,801</b>	<b>2,210</b>	<b>101</b>	<b>111</b>	<b>27</b>	<b>38</b>	<b>3,952</b>	<b>3,302</b>
<b>Total Liabilities Not Requiring Budgetary Resources</b>	<b>536</b>	<b>490</b>	<b>—</b>	<b>—</b>	<b>51</b>	<b>80</b>	<b>—</b>	<b>—</b>	<b>587</b>	<b>570</b>
<b>Total Liabilities</b>	<b>\$5,397</b>	<b>\$5,389</b>	<b>\$2,891</b>	<b>\$2,289</b>	<b>\$233</b>	<b>\$386</b>	<b>\$48</b>	<b>\$38</b>	<b>\$8,473</b>	<b>\$8,026</b>

Certain balances, while also unfunded by definition (as no budgetary resources have been applied), will be liquidated from resources outside of the traditional budgeting process and require no further congressional action to do so. Such balances include: 1) amounts reported in the Consolidated Balance Sheets under the captions Unamortized Rent Abatement Liability and Deposit Fund Liability; 2) the portion of amounts included



in Other Intragovernmental Liabilities shown as Deposits Held in Suspense and Earnings Payable to Treasury in Note 9; 3) the portion of amounts included in Amounts Owed to the General Fund shown as custodial collections; and 4) substantially all amounts included in Other Liabilities shown as Deferred Revenues/Advances From the Public in Note 9.

## 12. Reconciliation to the President's Budget

In accordance with FASAB SFFAS No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting, if there are differences between amounts reported in these financial statements versus those reported in the most recent Budget of the United States Government (President's Budget), they must be disclosed. With the President's Budget generally released in February each year, the most current comparable data is the FY 2020 President's Budget, which contains FY 2018 financial statement results. The FY 2021 President's Budget, containing FY 2019 actual results is expected to be released February 3, 2020 on OMB's website. The portion of the President's Budget relating specifically to GSA can be found in the appendix of that document. Balances submitted to the U.S. Treasury constitute the basis for reporting of actual results in the President's Budget. The basis of the President's Budget and the CSBR is data reported to the U.S. Treasury on the Reports on Budget Execution and Budgetary Resources (SF 133s). Reconciling differences are caused by the presentation style of the President's Budget, which excludes Budgetary Resources and New Obligations and Upward Adjustments in expired annual funds, as well as offsetting collections, which are required for reporting on the CSBR. Small rounding differences may also exist between the CSBR and the President's Budget due to an alternative rounding methodology used by GSA.

The following two schedules highlight the most significant comparable amounts reported in the FY 2018 CSBR and FY 2020 President's Budget (dollars in millions). The first schedule shows the total differences where the CSBR contains balances greater or (less) than amounts reported in the President's Budget by fund. Following this is a second schedule displaying the components of each difference at the combined level.

GSA's Congressional Justification submission includes available and unavailable budgetary resources. In the CSBR and FBF SBR, the total budgetary resources of \$33.6 billion and \$16.1 billion as of September 30, 2018, respectively, represent budgetary resources net of FBF's unavailable budgetary resources of \$5.6 billion. For GSA's reconciliation between the CSBR and the President's Budget, we added back FBF's unavailable resources to the Budgetary Resources amounts reported under the FBF CSBR column in the first chart and the CSBR row in the second chart.

### 12. Total Differences - CSBR Compared to President's Budget by Fund (Dollars in Millions)

	FBF		ASF		OTHER FUNDS		GSA CONSOLIDATED TOTALS		
	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	CSBR	Pres. Budget	Difference
Budgetary Resources	\$21,660	\$21,651	\$16,196	\$16,196	\$1,306	\$1,266	\$39,162	\$39,113	\$49
New Obligations and Upward Adjustments	10,982	10,983	15,260	15,260	981	979	27,223	27,222	1
Net Outlays from Operating Activities	(875)	(876)	95	94	279	281	(501)	(501)	—
Distributed Offsetting Receipts	—	—	—	—	(89)	\$—	(89)	—	(89)

## 12. Components of each difference all funds combined (Dollars in Millions)

	Budgetary Resources	New Obligations and Upward Adjustments	Net Outlays from Operating Activities	Distributed Offsetting Receipts
Combined Statement of Budgetary Resources	\$39,162	\$27,223	(\$501)	(\$89)
Expired Funds, Not Reflected in the Budget	(49)	—	—	—
Offsetting Receipts, Not Reflected in the Budget	—	—	—	89
Other	—	(1)	—	—
Budget of the U.S. Government	\$39,113	\$27,222	(\$501)	\$—

## 13. Combined Statements of Budgetary Resources

The CSBR presents GSA budgetary results in accordance with reporting requirements prescribed in OMB Circular A-11, Preparation, Submission, and Execution of the Budget. In consolidated reporting by OMB and the U.S. Treasury, for the U.S. Government as a whole, substantially all of GSA's program operations and operating results are categorized as general government functions. There were no significant differences between the balances used to prepare the CSBR and the SF-133s in FY 2019 or FY 2018.

## 13. Adjustments to Unobligated Balances Brought Forward (Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		GSA COMBINED TOTALS	
	2019	2018	2019	2018	2019	2018	2019	2018
Prior Year Total Unobligated Balance, End of Period	\$5,096	\$4,746	\$936	\$615	\$325	\$221	\$6,357	\$5,582
<b>Adjustments to Unobligated Balance Brought Forward</b>								
Unobligated Balance transferred to other accounts	—	(1)	—	—	(23)	(1)	(23)	(2)
Unobligated Balance transferred from other accounts	—	1	—	—	21	—	21	1
Adjustment of Unobligated Balance Brought Forward, October 1	—	15	—	—	(7)	—	(7)	15
Recoveries of Prior Year Obligations	105	129	451	390	15	31	571	550
Other Changes in Unobligated Balance	10	6	—	2	(2)	(4)	8	4
<b>Total Adjustments to Unobligated Balance Brought Forward</b>	<b>115</b>	<b>150</b>	<b>451</b>	<b>392</b>	<b>4</b>	<b>26</b>	<b>570</b>	<b>568</b>
Unobligated Balance from Prior Year Budget Authority, Net	\$5,211	\$4,896	\$1,387	\$1,007	\$329	\$247	\$6,927	\$6,150

## 14. Consolidated Statements of Changes in Net Position

Cumulative results of operations for Revolving Funds include the net cost of operations since their inception, reduced by funds returned to the U.S. Treasury, congressional rescissions, and transfers to other Federal agencies, in addition to balances representing invested capital. Invested capital includes amounts provided to fund certain GSA assets, principally land, buildings, construction in process, and equipment, as well as appropriated capital provided as the corpus of a fund (generally to meet operating working capital needs).

The FBF, ASF, WCF and FCSF have legislative authority to retain portions of their cumulative results for specific purposes. The FBF retains cumulative results to finance future operations and construction, subject to appropriation by Congress. In the ASF, such cumulative results are retained to cover the cost of replacing the motor vehicle fleet and supply inventory as well as to provide financing for major systems acquisitions and improvements, contract conversion costs, major contingencies, and to maintain sufficient working capital. The WCF retains cumulative results to finance future systems improvements and certain operations. The FCSF retains cumulative results to finance future operations, subject to appropriation by Congress.

Cumulative Results of Operations on the Consolidated Balance Sheets include balances of funds from dedicated collections as defined in FASAB SFFAS No. 43, which totaled \$149 million and \$138 million as of September 30, 2019, and 2018, respectively. As further discussed in Notes 1 and 2, balances of funds from dedicated collections are those reported in GSA's Special Funds<sup>4</sup> and Trust Funds, within the Other Funds display on the Consolidated Balance Sheets.

## 15. Employee Benefit Plans

### A. Background

Although GSA funds a portion of pension benefits for its employees under the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), and makes the necessary payroll withholdings, GSA is not required to disclose the assets of the systems or the actuarial data related to accumulated plan benefits or the unfunded pension liability relative to its employees. Reporting the amounts of health care benefits for current and retired employees is the direct responsibility of the Office of Personnel Management (OPM). Further information regarding the Federal retirement plans, details of accumulated benefits, liabilities, background on agency employer contributions, employee contributions, and other financial contributions can be found on the OPM website.

In accordance with FASAB SFFAS No. 5, GSA recognizes the normal cost of pension programs and the normal cost of other post-employment health and life insurance benefits, as defined in that standard, on the Consolidated Statements of Net Cost. While contributions of GSA and participating employees to OPM do cover a significant portion of the normal cost of retirement benefits, the contribution rates defined in law do not cover the full normal cost of those retirement benefits. To achieve the recognition of the full normal cost required by SFFAS No. 5, GSA records the combination of funded cost for agency contributions, and imputed cost for the portion of normal costs not covered by contributions. GSA's imputed costs relate to business-type activities, employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements. Amounts recognized as normal cost related to contributions, as well as imputed costs are further provided below.

---

<sup>4</sup> GSA's Environmental Review Improvement Fund, while a special fund, to date, has yet to receive any dedicated collections.

**B. Civil Service Retirement System**

At the end of FY 2019, 3.7 percent (down from 4.7 percent in FY 2018) of GSA employees were covered by the CSRS, a defined benefit plan. Total GSA (employer) contributions (7.5 percent of base pay for law enforcement employees, and 7.0 percent for all others) to CSRS for all employees were as follows:

**15B. Total Employer Contributions to Civil Service Retirement System** (*Dollars in Millions*)

	2019	2018
FBF	\$2	\$2
ASF	1	1
Other Funds	1	1
<b>Total Employer Contributions</b>	<b>\$4</b>	<b>\$4</b>

**C. Federal Employees Retirement System**

On January 1, 1987, the FERS, a mixed system of defined benefit and defined contribution plans, went into effect pursuant to Public Law 99-335. Employees hired after December 31, 1983, were automatically covered by FERS and Social Security while employees hired before January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. As of September 30, 2019, 96.1 percent (up from 95.2 percent in FY 2018) of GSA employees were covered under FERS. One of the primary differences between the systems is that FERS offers automatic and matching contributions into the Federal Government's Thrift Savings Plan (TSP) for each employee. All employees could invest up to \$19,000 and \$18,500 in their TSP account in calendar years 2019 and 2018, respectively. In addition, for FERS employees, GSA automatically contributes one percent of base pay and matches employee contributions up to an additional four percent of base pay. For calendar years 2019 and 2018, total contributions made on behalf of an employee could not exceed \$56,000 and \$55,000, respectively. For FY 2019 and FY 2018, the GSA (employer) contributions to FERS (30.1 percent of base pay for law enforcement employees and 13.7 percent for all others) were as follows:

Additional GSA contributions to the TSP were as follows:

**15C. Total Employer Contributions to Federal Employees Retirement System****Automatic** (*Dollars in Millions*)

	2019	2018
FBF	\$69	\$68
ASF	45	43
Other Funds	42	41
<b>Total Employer Contributions</b>	<b>\$156</b>	<b>\$152</b>

**15C. Additional GSA Contributions to Thrift Savings Plan****Matching contributions** (*Dollars in Millions*)

	2019	2018
FBF	\$23	\$23
ASF	15	14
Other Funds	14	13
<b>Total Employer Contributions</b>	<b>\$52</b>	<b>\$50</b>

**D. Social Security System**

GSA also makes matching contributions for programs of the Social Security Administration (SSA) under the Federal Insurance Contributions Act. For employees covered by FERS, GSA contributed 6.2 percent of gross pay (up to \$132,900 and \$128,400 in calendar years 2019 and 2018, respectively) to SSA's Old-Age, Survivors, and Disability Insurance Program in both calendar years 2019 and 2018. Additionally, GSA makes matching contributions for all employees of 1.45 percent of gross pay to the Medicare Hospital Insurance program in both calendar years 2019 and 2018. In FY 2019 and 2018, 0.2 percent and 0.1 percent, respectively, of GSA employees are covered exclusively by these programs. Payments to these programs were as follows:

**15D. Total Employer Contributions - Social Security System** *(Dollars in Millions)*

	2019	2018
FBF	\$38	\$38
ASF	26	23
Other Funds	22	22
<b>Total Employer Contributions</b>	<b>\$86</b>	<b>\$83</b>

**E. Schedule of Unfunded Benefit Costs**

Amounts recorded in FYs 2019 and 2018, in accordance with FASAB SFFAS No. 5, for imputed post-employment benefits were as follows:

**15E. Imputed cost for Post-Employment Benefits** *(Dollars in Millions)*

	PENSION BENEFITS	HEALTH/LIFE INSURANCE	TOTAL
<b>2019</b>			
<b>FBF</b>	<b>\$14</b>	<b>\$32</b>	<b>\$46</b>
<b>ASF</b>	<b>11</b>	<b>19</b>	<b>30</b>
<b>Other Funds</b>	<b>10</b>	<b>17</b>	<b>27</b>
<b>Total Unfunded Benefit Costs</b>	<b>\$35</b>	<b>\$68</b>	<b>\$103</b>
<b>2018</b>			
FBF	\$13	\$32	\$45
ASF	9	18	27
Other Funds	8	17	25
<b>Total Unfunded Benefit Costs</b>	<b>\$30</b>	<b>\$67</b>	<b>\$97</b>



## 16. Budget and Accrual Reconciliation

In accordance with requirements of FASAB SFFAS 53, Budget and Accrual Reconciliation, the schedule below displays financial components associated with differences in amounts reported as the Net Revenues (Cost) from Operations reported on the Consolidated Statements of Net Cost and amounts reported as Total Net Outlays on the CSBR. Budgetary accounting is used for planning and control purposes, with Net Outlays consisting of the receipt and use of cash, both key elements in reporting the Federal deficit. Financial accounting is intended to provide a picture of the Government's financial operations and financial position, presenting information on an accrual basis of accounting. The accrual basis includes information about costs arising from the acquisition and consumption of assets, other goods and services and the incurrence of liabilities, as well as recognition of certain revenues and associated receivable balances. The reconciliation bridges the balances reported as net outlays, presented on a budgetary basis focused on the disbursement and collection of funds, and the net cost, presented on an accrual basis. The reconciliation further assures integrity of relationships between budgetary and financial accounting. The schedule displays outlay balances comparable to the CSBR, with Net Outlays from Operating Activity based on amounts reported to Treasury on SF 133's, with additions for Distributed Offsetting Receipts to produce Total Net Outlays.

## 16. FY 2019 Budget and Accrual Reconciliation (Dollars in Millions)

	Federal Buildings Fund			Acquisition Services Fund			Other Funds			Less: Intra-GSA Eliminations			GSA Consolidated		
	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total
<b>Net Cost of Operations</b>	\$—	\$—	(\$524)	\$—	\$—	(\$220)	\$—	\$—	\$247	(\$39)	\$—	(\$39)	\$—	\$—	(\$536)
<b>Components of Net Cost Not Part of the Budget Outlays</b>															
Property, Plant, and Equipment Depreciation	—	(1,681)	(1,681)	—	(591)	(591)	—	(11)	(11)	—	—	—	—	(2,283)	(2,283)
Property, Plant and Equipment Disposal & Reevaluation	—	—	—	—	(223)	(223)	—	—	—	—	—	—	—	(223)	(223)
<b>Increase/(Decrease) in Assets:</b>	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Accounts Receivables	(60)	(1)	(61)	533	(10)	523	—	—	—	—	—	—	473	(11)	462
Loans Receivable		(1)	(1)		—	—	—	—	—	—	—	—	—	(1)	(1)
Other Asset - Regulatory Assets	101	(134)	(33)	(7)	(4)	(11)	(1)	—	(1)	—	—	—	93	(138)	(45)
<b>(Increase)/Decrease in Liabilities</b>															
Accounts Payable	(9)	(54)	(63)	32	(598)	(566)	9	(4)	5	—	—	—	32	(656)	(624)
Salaries and Benefits	(1)	(2)	(3)	(1)	(2)	(3)	—	(2)	(2)	—	—	—	(2)	(6)	(8)
Environmental and Disposal Liabilities	—	90	90	—	—	—	—	131	131	—	—	—	—	221	221
Other Liabilities (Unfunded leave, Unfunded FECA, Actuarial FECA)	34	7	41	(2)	(11)	(13)	—	1	1	—	—	—	32	(3)	29

## 16. FY 2019 Budget and Accrual Reconciliation (Dollars in Millions)

	Federal Buildings Fund			Acquisition Services Fund			Other Funds			Less: Intra-GSA Eliminations			GSA Consolidated		
	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total	Intra-governmental	With the Public	Total
<b>Other Financing Sources:</b>															
Imputed Financing Provided by Others	(65)	—	(65)	(46)	—	(46)	(129)	—	(129)	39	—	39	(201)	—	(201)
Components of Budget Outlays Not Part of Net Cost:															
Acquisition of Capital Assets	—	1,302	1,302	844	3	847	—	6	6	—	—	—	844	1,311	2,155
<b>Acquisition of Inventory</b>	—	—	—	—	1	1	—	—	(38)	—	—	—	—	1	1
Other	—	1	1	—	(2)	(2)	—	—	—	—	—	—	—	(1)	(1)
Net Outlays from Operating Activity			(997)	—	—	(304)	—	—	247	—	—	—	—	—	(1,054)
Distributed Offsetting Receipts	—	—	—	—	—	—	—	—	(38)	—	—	—	—	—	(38)
<b>Total Net Outlays</b>	<b>\$—</b>	<b>\$—</b>	<b>(\$997)</b>	<b>\$—</b>	<b>\$—</b>	<b>(\$304)</b>	<b>\$247</b>	<b>\$—</b>	<b>\$209</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>\$—</b>	<b>(\$1)</b>	<b>(\$1,092)</b>

## 17. Net Cost by Responsibility Segment

OMB Circular A-136, Financial Reporting Requirements, requires that the presentation aligns with the goals and outcomes identified in the agency's strategic plan. The strategic goals presented in GSA's Consolidated Statements of Net Cost are derived from the missions of the agency's two largest service organizations: PBS, which manages the FBF, and FAS, which manages the ASF. PBS manages building operations by overseeing the design, construction, leasing, and maintenance of Government-owned and leased facilities. Responsibility segments include the Government-owned and Leased Building segments. FAS is organized into five main business portfolios: GSS, TTL, IT, AAS, and PSHC. FAS provides acquisition services by leveraging the buying power of the Federal Government to obtain best values. The GSA agency-wide strategic plan goals of providing cost savings to customers, increasing operational efficiency, and delivering excellent customer service are embedded in the missions of its service organizations. Revenues and expenses not associated with PBS or FAS are reported as Working Capital and General Programs. Eliminations of intra-agency activity are recorded against the organization providing the goods or services, displayed in the "ELIM" column. The following tables present the FY 2019 and FY 2018 net operating results by strategic goal for each responsibility segment.

## 17. For the Year Ended September 30, 2019

FY 2019 Net Cost by Responsibility Segment Schedule (Dollars in Millions)

For the Year Ended September 30, 2019 (Dollars in Millions)													
	FBF - Owned	FBF - Leased	ASF - GSS	ASF - TTL	ASF - IT	ASF - AAS	ASF - PSHC	ASF - Other	WCF	GENERAL FUNDS	GSA COMBINED	ELIM	GSA CONSOLIDATED
Manage Building Operations													
Earned Revenues	\$5,234	\$6,622	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$11,856	\$71	\$11,785
Less: Operating Expenses	4,626	6,706	—	—	—	—	—	—	—	—	11,332	91	11,241
Net Revenues from (Cost of) Operations	608	(84)	—	—	—	—	—	—	—	—	524	(20)	544
Provide Acquisition Services													
Earned Revenues	—	—	1,291	2,177	1,770	9,193	96	131	—	—	14,658	184	14,474
Less: Operating Expenses	—	—	1,287	1,951	1,760	9,152	92	196	—	—	14,438	201	14,237
Net Revenues from (Cost of) Continuing Operations	—	—	4	226	10	41	4	(65)	—	—	220	(17)	237
Working Capital and General Programs													
Earned Revenues	—	—	—	—	—	—	—	—	678	39	717	673	44
Less: Operating Expenses	—	—	—	—	—	—	—	—	689	275	964	675	289
Net Revenues from (Cost of) Operations	—	—	—	—	—	—	—	—	(11)	(236)	(247)	(2)	(245)
GSA Consolidated Net Results													
Earned Revenues	5,234	6,622	1,291	2,177	1,770	9,193	96	131	678	39	27,231	928	26,303
Less: Operating Expenses	4,626	6,706	1,287	1,951	1,760	9,152	92	196	689	275	26,734	967	25,767
Net Revenues from (Cost of) GSA Operations	\$608	(\$84)	\$4	\$226	\$10	\$41	\$4	(\$65)	(\$11)	(\$236)	\$497	(\$39)	\$536



## FY 2018 Net Cost by Responsibility Segment Schedule (Dollars in Millions)

For the Year Ended September 30, 2019 (Dollars in Millions)													
	FBF - Owned	FBF - Leased	ASF - GSS	ASF - TTL	ASF - IT	ASF - AAS	ASF - PSHC	ASF - Other	WCF	GENERAL FUNDS	GSA COMBINED	ELIM	GSA CONSOLIDATED
Manage Building Operations													
Earned Revenues	\$5,261	\$6,420	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$—	\$11,856	\$71	\$11,785
Less: Operating Expenses	4,611	6,420	—	—	—	—	—	—	—	—	11,332	91	11,241
Net Revenues from (Cost of) Operations	650	—	—	—	—	—	—	—	—	—	524	(20)	544
Provide Acquisition Services													
Earned Revenues	—	—	1,300	2,060	1,786	7,043	87	113	—	—	12,389	195	12,194
Less: Operating Expenses	—	—	1,292	1,885	1,815	7,021	87	202	—	—	12,302	210	12,092
Net Revenues from (Cost of) Continuing Operations	—	—	8	175	(29)	22	—	(89)	—	—	87	(15)	102
Working Capital and General Programs													
Earned Revenues	—	—	—	—	—	—	—	—	657	37	694	655	39
Less: Operating Expenses	—	—	—	—	—	—	—	—	704	349	1,053	657	396
Net Revenues from (Cost of) Operations	—	—	—	—	—	—	—	—	(47)	(312)	(359)	(2)	(357)
GSA Consolidated Net Results													
Earned Revenues	5,261	6,420	1,300	2,060	1,786	7,043	87	113	657	37	24,764	921	23,843
Less: Operating Expenses	4,611	6,420	1,292	1,885	1,815	7,021	87	202	704	349	24,386	957	23,429
Net Revenues from (Cost of) GSA Operations	\$650	\$—	\$8	\$175	(\$29)	\$22	\$—	(\$89)	(\$47)	(\$312)	\$378	(\$36)	\$414

## 18. Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position for FR Compilation Process

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows GSA's financial statements and GSA's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items.

The term "Non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with Non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

**18. Reclassification of GSA's Balance Sheet for the Federal Financial Report** *(Dollars in Millions)*

FY 2019 GSA Balance Sheet		Line Items Used to Prepare FY 2019 Government-wide Balance Sheet	
Financial Statement Line	Amount	Reclassified Financial Statement Line	Amount
<b>ASSETS</b>		<b>ASSETS</b>	
Intragovernmental Assets:			
Fund Balance with Treasury	\$13,875	Fund Balance With Treasury	\$13,875
Accounts Receivable - Federal, Net	3,487	Accounts Receivable	3,487
Capital Lease Payments Receivable	38	Accounts Receivable	38
Unamortized Deferred Charges and Prepayments	109	Accounts Receivable	109
Prepaid Expenses and Advances - Federal	122	Advances to Others and Prepayments	122
Total Intragovernmental Assets	17,631	Total Federal Assets	17,631
Accounts Receivable - Non-Federal, Net	125	Accounts and Taxes Receivable, Net	124
		Loans Receivable, Net	1
Other Assets	73	Other Assets	73
Property and Equipment:			
Buildings	49,136	Property, Plant, and Equipment, Net	49,136
Leasehold Improvements	290	Property, Plant, and Equipment, Net	290
Motor Vehicles	6,200	Property, Plant, and Equipment, Net	6,200
Equipment and Other Property	503	Property, Plant, and Equipment, Net	503
Less: Accumulated Depreciation and Amortization	(32,398)	Property, Plant, and Equipment, Net	(32,398)
Subtotal	23,731		
Land	1,719	Property, Plant, and Equipment, Net	1,719
Construction in Process and Software in Development	1,402	Property, Plant, and Equipment, Net	1,402
Total Property and Equipment, Net	26,852	Total Property, Plant, and Equipment, Net	26,852
<b>TOTAL ASSETS</b>	<b>\$44,681</b>	<b>TOTAL ASSETS</b>	<b>\$44,681</b>

## 18. Reclassification of GSA's Balance Sheet for the Federal Financial Report (Dollars in Millions)

FY 2019 GSA Balance Sheet		Line Items Used to Prepare FY 2019 Government-wide Balance Sheet	
Financial Statement Line	Amount	Reclassified Financial Statement Line	Amount
<b>LIABILITIES AND NET POSITION</b>		<b>LIABILITIES AND NET POSITION</b>	
Intragovernmental Liabilities		Intragovernmental Liabilities	
Accounts Payable and Accrued Expenses - Federal	\$27	Accounts Payable	\$27
Judgment Fund Liability	507	Accounts Payable	507
Deferred Revenues and Advances - Federal	704	Accounts Payable	661
		Advances from Others and Deferred Credits	43
Amounts Owed to the General Fund	16	Liability to the General Fund of the U.S. Gov't for Custodial and Other Non-Entity Assets	16
Other Intragovernmental Liabilities	55	Benefit Program Contributions Payable	35
		Other Liabilities (Without Reciprocals)	20
Total Intragovernmental Liabilities	1,309	Total Federal Liabilities	1,309
Accounts Payable and Accrued Expenses - Non-Federal	3,810	Accounts Payable	3,797
		Other Liabilities	13
Environmental and Disposal Liabilities	1,786	Environmental and Disposal Liabilities	1,786
Capital Lease and Installment Purchase Liability	711	Other Liabilities	711
Unamortized Rent Abatement Liability	521	Other Liabilities	521
Workers' Compensation Actuarial Liability	116	Federal Employee and Veteran Benefits Payable	116
Annual Leave Liability	113	Other Liabilities	113
Deposit Fund Liability	19	Other Liabilities	19
Other Liabilities	88	Federal Employee and Veteran Benefits Payable	14
		Other Liabilities	74
<b>Total Liabilities</b>	<b>8,473</b>	<b>Total Liabilities</b>	<b>8,473</b>
Net Position:			
Unexpended Appropriations	680	Net Position- Funds Other Than Those From Dedicated Collections	680
Cumulative Results of Operations	35,528	Net Position- Funds From Dedicated Collections	153
		Net Position- Funds Other Than Those From Dedicated Collections	35,375
Total Net Position	36,208	Total Net Position	36,208
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$44,681</b>	<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$44,681</b>

**18. Reclassification of GSA Statement of Net Cost for the Federal Financial Report** *(Dollars in Millions)*

FY 2019 GSA Statement of Net Cost		Line Items Used to Prepare FY 2019 Government-wide Statement of Net Cost	
Financial Statement Line	Amount	Reclassified Financial Statement Line	Amount
<b>GSA Consolidated Net Results</b>		<b>GSA Consolidated Net Results</b>	
Earned Revenues	\$26,303	Borrowing and Other Interest Revenue (exchange)	\$2
		Buy/Sell Revenue (Exchange)	25,549
		Purchase of assets offset <sup>1</sup>	15
		Total Intragovernmental Earned Revenue	25,566
		Non-Federal Earned Revenue	752
		Total Earned Revenue	26,318
Less: Operating Expenses	25,767	Benefit Program Costs	268
		Buy/Sell Costs	1,657
		Imputed Cost	201
		Purchase of assets <sup>1</sup>	15
		Other Expenses (without reciprocals)	86
		Total Intragovernmental Costs	2,227
		Non-Federal Gross Cost	23,555
		Total Gross Costs	25,782
<b>Net Revenues from Operations</b>	<b>\$536</b>	<b>Net Revenues from Operations</b>	<b>\$536</b>

<sup>1</sup> Total revenue and costs will be off by this amount since GSA does not include SGL 880 percent in our SNC.



## 18. Reclassification of GSA Statement of Net Cost for the Federal Financial Report (Dollars in Millions)

FY 2019 GSA Statement of Changes in Net Position		Line Items Used to Prepare FY 2019 Government-wide Statement of Changes in Net Position	
Financial Statement Line	Amount	Reclassified Financial Statement Line	Amount
<b>BEGINNING BALANCE OF NET POSITION:</b>		<b>BEGINNING BALANCE OF NET POSITION:</b>	
Unexpended Appropriations	\$429	Net Position, Beginning of Period	\$429
Cumulative Results of Operations	34,487	Net Position, Beginning of Period	34,487
<b>Net Position Beginning Balance</b>	<b>34,916</b>	<b>Net Position Beginning Balance</b>	<b>34,916</b>
<b>RESULTS OF OPERATIONS:</b>		<b>RESULTS OF OPERATIONS:</b>	
Net Revenues From Operations	536	Net Cost of Operations	536
Appropriations Used	258	Appropriations Expended	258
Non-Exchange Revenue	71	Other Non-Budgetary Financing Sources	(3)
		Other Taxes and Receipts	74
Imputed Financing Provided By Others	201	Imputed Financing Sources	201
Transfers of Financing Sources (To) From the U.S. Treasury	(18)	Appropriation of Unavailable Special or Trust Fund Receipts Transfers -Out	7
		Non-Entity Collections Transferred to the General Fund of the U.S. Gov't	(25)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	14	Transfers-In Without Reimbursement	15
		Transfers-Out Without Reimbursement	(1)
Other	(21)	Non-Entity Collections Transferred to the General Fund of the U.S. Gov't	(21)
<b>Net Results of Operations</b>	<b>1,041</b>	<b>Net Results of Operations</b>	<b>1,041</b>
<b>CHANGES IN UNEXPENDED APPROPRIATIONS:</b>		<b>CHANGES IN UNEXPENDED APPROPRIATIONS:</b>	
Appropriations Received	390	Appropriations Received as Adjusted (Recissions and Other Adjustments)	390
Appropriations Used	(258)	Appropriations Used	(258)
Appropriations Adjustments and Transfers (To) From Other Agencies or Funds	119	Appropriations Received as Adjusted (Recissions and Other Adjustments)	(1)
		Nonexpenditure Transfers-In of Unexpended Appr and Financing Sources	130
		Nonexpenditure Transfers-Out of Unexpended Appr and Financing Sources	(10)
<b>Net Change in Unexpended Appropriations</b>	<b>251</b>	<b>Net Change in Unexpended Appropriations</b>	<b>251</b>
<b>ENDING BALANCE OF NET POSITION:</b>		<b>ENDING BALANCE OF NET POSITION:</b>	
Unexpended Appropriations	680	Unexpended Appropriations	680
Cumulative Results of Operations	35,528	Cumulative Results of Operations	35,528
<b>Net Position Ending Balance</b>	<b>\$36,208</b>	<b>Net Position Ending Balance</b>	<b>\$36,208</b>

## 19. Public-Private Partnerships (P3s)

SFFAS 49, Public-Private Partnerships, helps achieve the operating performance and budgetary integrity objectives outlined in SFFAC 1, Objectives of Federal Financial Reporting, by making Public-Private Partnerships (P3s) more understandable. This Statement establishes principles to ensure that any necessary disclosures about P3s are presented in AFRs. SFFAS 49 mandates that when arrangements with private entities meet certain characteristics, these arrangements must be disclosed in the AFR.

PBS enters into long-term (greater than 5 years) arrangements (contracts) with private corporations, where: 1) There is a risk-reward relationship; 2) The arrangement results in a long-lived asset; and 3) PBS relies on the P3s partner's determination of the performance or return on investment.

### Energy Savings Performance Contracts with Energy-Service Companies

The National Energy Conservation Policy Act, as amended, authorizes Federal agencies to enter into energy savings performance contracts (individually, an ESPC) with energy service contractors (individually, an ESCO) for the purpose of achieving energy savings and other related benefits. This authority is codified at 42 U.S.C. 8287. Agencies enter into these contracts with limited to no up-front capital costs, thereby minimizing the need for Congressional appropriations. The contractor conducts a comprehensive energy audit for the Federal facility and identifies improvements to save energy. In consultation with the agency, the contractor designs and constructs a project that meets the agency's needs and arranges the necessary funding. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. The cost of an ESPC project must be covered by the energy, water and related cost savings generated at the project site. The ESPC's cost savings must be verified and documented annually. After the contract ends, any additional cost savings accrue to the agency.

Contractual risk of loss to the Federal Government primarily relates to (a) the contractor's ongoing satisfactory performance throughout the project lifecycle to ensure that the project is successful as designed and (b) the equipment being properly operated and maintained, since the savings calculations are based on the equipment operating as installed and as specified in the contract. With regard to any unforeseen or unanticipated scheduling or technical performance risk, generally, the ESCO is responsible for ensuring that energy savings are met throughout the performance period.

Actual contract payments to ESCOs, post-acceptance, for ESPCs were \$90M and \$66M for the years ended September 30, 2019 and 2018, respectively. Future estimated contract payments to ESCOs for ESPCs are broken out by interest, principal and yearly expenses:

### 19. Contract Payments to Energy-Service Companies (Dollars in Millions)

PAYMENT TYPE	FISCAL YEAR				
	2020	2021	2022	2023	2024 and thereafter
Interest	\$30	\$28	\$27	\$25	\$151
Principal Repayment	25	28	31	34	542
Total Post-Acceptance Performance Period Expenses	40	41	42	43	488
<b>Estimated Grand Total</b>	<b>\$95</b>	<b>\$97</b>	<b>\$100</b>	<b>\$102</b>	<b>\$1,181</b>

### Outleases

Outleasing is an asset-management tool to help maximize Federal revenue generation. It is used when a property is vacant and not needed for current or projected agency purposes. It can also be used to encourage certain activities within or near public buildings, such as food courts, farmers markets, rooftop antennas, and motion picture projects.

GSA has several authorities that it may use to enter into outlease agreements with non-Federal entities. These include 40 U.S.C. 543, which authorizes the disposal of surplus property by lease and other means; 40 U.S.C. 581(h), which authorizes the lease of certain spaces in public buildings for commercial, cultural, educational, or recreational activity; 54 U.S.C. 306121, which authorizes the lease of historic property, if the lease contains provisions that will adequately ensure the preservation of the historic property; and section 412 of the Consolidated Appropriations Act of 2005 (Public Law No. 108-447), which authorizes the conveyance by lease and other means of real and related personal property, or interests therein.

Some of GSA's outlease arrangements are long-term (*i.e.*, greater than 5 years), and entail 1) a risk-reward relationship; 2) a term that encumbers a significant portion of the economic life of the asset; and 3) rent that is based, in part, on a percentage of gross revenues reported by the tenant.

The general risk of loss to the Federal Government is low, but there is risk associated with an uncured tenant default that may result in a lease termination and unexpected vacancy or damage to the property. In this instance, GSA may incur costs to repair any damage to the property or to operate and maintain the property during any period of vacancy.

The outlease agreements generally require the non-Federal entity to assume all of the costs and expenses associated with maintaining and operating the leased property during the term of the agreement.

Agreement amounts due monthly to GSA are shown below for the fixed amounts from Outleases with terms greater than 5 years. The amounts reported below do not include any variable payment portions due to GSA from the business entities sales in outyears, as those are not known.

Actual revenues from Outlease agreements (greater than 5 years) were \$19 million for both years ended September 30, 2019 and 2018. Future estimated revenues:

#### 19. Estimated Future Revenue from Outlease agreements (*Dollars in Millions*)

PAYMENT TYPE	FISCAL YEAR				
	2020	2021	2022	2023	2024 and thereafter
REVENUES	\$21	\$15	\$12	\$11	\$209

# CONSOLIDATING FINANCIAL STATEMENTS

## U.S. General Services Administration Consolidating Balance Sheets

### SCHEDULE 1

As of September 30, 2019 and September 30, 2018

(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>ASSETS</b>										
Intragovernmental Assets:										
Fund Balance with Treasury (Notes 1-D,2)	\$11,905	\$10,698	\$1,143	\$846	\$827	\$784	\$—	\$—	\$13,875	\$12,328
Accounts Receivable - Federal, Net (Note 4)	423	483	3,070	2,513	42	14	48	38	3,487	2,972
Capital Lease Payments Receivable (Note 8)	36	43	2	12	—	—	—	—	38	55
Unamortized Deferred Charges and Prepayments	109	111	—	—	—	—	—	—	109	111
Prepaid Expenses and Advances - Federal	122	136	—	2	—	1	—	—	122	139
Total Intragovernmental Assets	12,595	11,471	4,215	3,373	869	799	48	38	17,631	15,605
Accounts Receivable - Non-Federal, Net (Note 4)	12	14	104	114	9	16	—	—	125	144
Other Assets (Note 5)	39	48	34	44	—	—	—	—	73	92
Property and Equipment: (Notes 1-E,6)										
Buildings	49,136	47,518	—	—	—	—	—	—	49,136	47,518
Leasehold Improvements	272	269	14	33	4	4	—	—	290	306
Motor Vehicles	—	—	6,200	6,022	—	—	—	—	6,200	6,022
Equipment and Other Property	140	167	189	387	174	168	—	—	503	722
Less: Accumulated Depreciation and Amortization	(29,826)	(28,182)	(2,411)	(2,498)	(161)	(150)	—	—	(32,398)	(30,830)
Subtotal	19,722	19,772	3,992	3,944	17	22	—	—	23,731	23,738
Land	1,719	1,695	—	—	—	—	—	—	1,719	1,695
Construction in Process and Software in Development	1,402	1,667	—	1	—	—	—	—	1,402	1,668
Total Property and Equipment, Net	22,843	23,134	3,992	3,945	17	22	—	—	26,852	27,101
<b>TOTAL ASSETS</b>	<b>\$35,489</b>	<b>\$34,667</b>	<b>\$8,345</b>	<b>\$7,476</b>	<b>\$895</b>	<b>\$837</b>	<b>\$48</b>	<b>\$38</b>	<b>\$44,681</b>	<b>\$42,942</b>
<b>LIABILITIES AND NET POSITION</b>										
Intragovernmental Liabilities:										
Accounts Payable and Accrued Expenses - Federal	\$20	\$16	\$4	\$14	\$30	\$38	\$27	\$38	\$27	\$30
Judgment Fund Liability	507	495	—	—	—	—	—	—	507	495
Deferred Revenues and Advances - Federal	655	696	7	9	42	50	—	—	704	755
Amounts Owed to the General Fund	—	—	—	—	16	30	—	—	16	30
Other Intragovernmental Liabilities (Note 9)	21	22	11	9	44	41	21	—	55	72
Total Intragovernmental Liabilities	1,203	1,229	22	32	132	159	48	38	1,309	1,382
Accounts Payable and Accrued Expenses - Non-Federal	1,023	970	2,777	2,178	10	7	—	—	3,810	3,155
Environmental and Disposal Liabilities (Notes 6, 10-B)	1,781	1,871	—	—	5	136	—	—	1,786	2,007
Capital Lease and Installment Purchase Liability	711	685	—	—	—	—	—	—	711	685
Unamortized Rent Abatement Liability	521	476	—	—	—	—	—	—	521	476
Workers' Compensation Actuarial Liability (Note 7)	67	74	37	24	12	14	—	—	116	112
Annual Leave Liability (Note 1-F)	49	48	34	33	30	29	—	—	113	110
Deposit Fund Liability	—	—	—	—	19	16	—	—	19	16
Other Liabilities (Note 9)	42	36	21	22	25	25	—	—	88	83
<b>Total Liabilities</b>	<b>5,397</b>	<b>5,389</b>	<b>2,891</b>	<b>2,289</b>	<b>233</b>	<b>386</b>	<b>48</b>	<b>38</b>	<b>8,473</b>	<b>8,026</b>
Net Position:										
Unexpended Appropriations	338	149	—	—	342	280	—	—	680	429
Cumulative Results of Operations (Note 14)	29,754	29,129	5,454	5,187	320	171	—	—	35,528	34,487
<b>Total Net Position</b>	<b>30,092</b>	<b>29,278</b>	<b>5,454</b>	<b>5,187</b>	<b>662</b>	<b>451</b>	<b>—</b>	<b>—</b>	<b>36,208</b>	<b>34,916</b>
<b>TOTAL LIABILITIES AND NET POSITION (Note 11)</b>	<b>\$35,489</b>	<b>\$34,667</b>	<b>\$8,345</b>	<b>\$7,476</b>	<b>\$895</b>	<b>\$837</b>	<b>\$48</b>	<b>\$38</b>	<b>\$44,681</b>	<b>\$42,942</b>

The accompanying notes are an integral part of these statements. • See Accompanying Independent Auditors' Report.

U.S. General Services Administration  
**Consolidating Statements of Net Cost**

**SCHEDULE 2**

For the Fiscal Years Ended September 30, 2019 and September 30, 2018

*(Dollars in Millions)*

	2019			2018		
	REVENUES	EXPENSES	NET REVENUES FROM (COST OF) OPERATIONS	REVENUES	EXPENSES	NET REVENUES FROM (COST OF) OPERATIONS
<b>MANAGE BUILDING OPERATIONS</b>						
Building Operations - Government Owned	\$5,234	\$4,626	\$608	\$5,261	\$4,611	\$650
Building Operations - Leased	6,622	6,706	(84)	6,420	6,420	—
Subtotal	11,856	11,332	524	11,681	11,031	650
<b>PROVIDE ACQUISITION SERVICES</b>						
General Supplies and Services	1,291	1,287	4	1,300	1,292	8
Travel, Transportation, and Logistics	2,177	1,951	226	2,060	1,885	175
Information Technology	1,770	1,760	10	1,786	1,815	(29)
Assisted Acquisition Services	9,193	9,152	41	7,043	7,021	22
Professional Services and Human Capital	96	92	4	87	87	—
Other Programs	131	196	(65)	113	202	(89)
Subtotal	14,658	14,438	220	12,389	12,302	87
<b>WORKING CAPITAL FUND AND GENERAL PROGRAMS</b>						
Working Capital Fund	678	689	(11)	657	704	(47)
Other General Funds	39	275	(236)	37	349	(312)
Subtotal	717	964	(247)	694	1,053	(359)
<b>INTRA-GSA ELIMINATIONS</b>						
Less: Intra-GSA Eliminations	928	967	(39)	921	957	(36)
<b>GSA Consolidated Totals</b>	<b>\$26,303</b>	<b>\$25,767</b>	<b>\$536</b>	<b>\$23,843</b>	<b>\$23,429</b>	<b>\$414</b>

U.S. General Services Administration  
**Consolidating Statements of Changes in Net Position**

**SCHEDULE 3**

For the Fiscal Years Ended September 30, 2019 and September 30, 2018

(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		LESS: INTRA-GSA ELIMINATIONS		GSA CONSOLIDATED TOTALS	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
<b>BEGINNING BALANCE OF NET POSITION:</b>										
Unexpended Appropriations	\$149	\$44	\$—	\$—	\$280	\$181	\$—	\$—	\$429	\$225
Cumulative Results of Operations	29,129	28,515	5,187	5,047	171	235	—	—	34,487	33,797
<b>Net Position Beginning Balance</b>	<b>29,278</b>	<b>28,559</b>	<b>5,187</b>	<b>5,047</b>	<b>451</b>	<b>416</b>	<b>—</b>	<b>—</b>	<b>34,916</b>	<b>34,022</b>
<b>RESULTS OF OPERATIONS:</b>										
Net Revenues From (Cost of) Operations	524	650	220	87	(247)	(359)	(39)	(36)	536	414
Appropriations Used (Note 1-C)	22	21	—	—	236	235	-	-	258	256
Non-Exchange Revenue (Notes 1-C, 1-D)	8	(9)	—	—	63	106	-	-	71	97
Imputed Financing Provided By Others	65	65	46	42	129	34	39	36	201	105
Transfers of Financing Sources (To) From the U.S. Treasury	—	—	(7)	—	(11)	(75)	-	-	(18)	(75)
Transfers of Net Assets and Liabilities (To) From Other Federal Agencies	6	(113)	8	11	—	—	-	-	14	(102)
Other	—	—	—	—	(21)	(5)	-	-	(21)	(5)
<b>Net Results of Operations</b>	<b>625</b>	<b>614</b>	<b>267</b>	<b>140</b>	<b>149</b>	<b>(64)</b>	<b>-</b>	<b>-</b>	<b>1,041</b>	<b>690</b>
<b>CHANGES IN UNEXPENDED APPROPRIATIONS:</b>										
Appropriations Received	91	127	—	—	299	334	—	—	390	461
Appropriations Used	(22)	(21)	—	—	(236)	(235)	—	—	(258)	(256)
Appropriations Adjustments and Transfers (To) From Other Agencies or Funds	120	(1)	—	—	(1)	—	—	—	119	(1)
<b>Net Change in Unexpended Appropriations</b>	<b>189</b>	<b>105</b>	<b>—</b>	<b>—</b>	<b>62</b>	<b>99</b>	<b>—</b>	<b>—</b>	<b>251</b>	<b>204</b>
<b>ENDING BALANCE OF NET POSITION:</b>										
Unexpended Appropriations	338	149	—	—	342	280	—	—	680	429
Cumulative Results of Operations	29,754	29,129	5,454	5,187	320	171	—	—	35,528	34,487
<b>Net Position Ending Balance</b>	<b>\$30,092</b>	<b>\$29,278</b>	<b>\$5,454</b>	<b>\$5,187</b>	<b>\$662</b>	<b>\$451</b>	<b>\$—</b>	<b>\$—</b>	<b>\$36,208</b>	<b>\$34,916</b>

The accompanying notes are an integral part of these statements. • See Accompanying Independent Auditors' Report.



U.S. General Services Administration  
**Combining Statements of Budgetary Resources**

**SCHEDULE 4**

For the Fiscal Years Ended September 30, 2019 and September 30, 2018

(Dollars in Millions)

	FEDERAL BUILDINGS FUND		ACQUISITION SERVICES FUND		OTHER FUNDS		GSA COMBINED TOTALS	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>BUDGETARY RESOURCES</b>								
Unobligated Balance from Prior Year Budget Authority, Net (Note 13)	\$5,211	\$4,896	\$1,387	\$1,007	\$329	\$247	\$6,927	\$6,150
Appropriations	211	127	—	—	321	350	532	477
Spending Authority from Offsetting Collections	11,233	11,055	17,441	15,189	727	709	29,401	26,953
<b>Total Budgetary Resources</b>	<b>16,655</b>	<b>16,078</b>	<b>18,828</b>	<b>16,196</b>	<b>1,377</b>	<b>1,306</b>	<b>36,860</b>	<b>33,580</b>
<b>STATUS OF BUDGETARY RESOURCES</b>								
New Obligations and Upward Adjust- ments	11,156	10,982	17,518	15,260	1,022	981	29,696	27,223
Unobligated Balance, End of Period Apportioned, Unexpired Accounts	4,943	4,438	936	573	172	171	6,051	5,182
Unapportioned, Unexpired Accounts	548	650	374	363	138	113	1,060	1,126
Unexpired Unobligated Balance, End of Period	5,491	5,088	1,310	936	310	284	7,111	6,308
Expired Unobligated Balance, End of Period	8	8	—	—	45	41	53	49
Unobligated Balance, End of Period, Total	5,499	5,096	1,310	936	355	325	7,164	6,357
<b>Total Status of Budgetary Resources</b>	<b>16,655</b>	<b>16,078</b>	<b>18,828</b>	<b>16,196</b>	<b>1,377</b>	<b>1,306</b>	<b>36,860</b>	<b>33,580</b>
<b>OUTLAYS, NET</b>								
Net Outlays from Operating Activity	(997)	(875)	(304)	95	247	279	(1,054)	(501)
Distributed Offsetting Receipts	—	—	—	—	(38)	(89)	(38)	(89)
<b>Total Net Outlays</b>	<b>(\$997)</b>	<b>(\$875)</b>	<b>(\$304)</b>	<b>\$95</b>	<b>\$209</b>	<b>\$190</b>	<b>(\$1,092)</b>	<b>(\$590)</b>

## REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

### Deferred Maintenance and Repairs

GSA reports deferred maintenance and repairs (DM&R) consistent with the definition in SFFAS 42: Deferred maintenance and repairs are maintenance and repairs that were not performed when scheduled or delayed for a future period. Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Maintenance and repairs, as distinguished from capital improvements, exclude activities directed towards expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, its current use.

In accordance with SFFAS No. 42, GSA has disclosable DM&R related to its inventory of Buildings in the FBF. GSA utilizes the Building Assessment Tool (BAT) to determine the amount of all repairs and alterations (R&A) needed to correct major components or system deficiencies in owned buildings (and certain leased buildings where GSA has responsibility for R&A). Buildings included in the assessment could be capitalized general PP&E, fully depreciated general PP&E or non-capitalized general PP&E leased buildings. GSA requires a Building Assessment for every Government-owned, leased, or delegated asset that meets all the following criteria:

- GSA has R&A responsibility
- The asset maintains an "active" or "excess" status
- The asset has a real property type of "building" or "structure"

No assets meeting the criteria identified above are excluded from this requirement. The surveys are conducted biennially to inspect and electronically document building conditions, with approximately half of the building inventory being surveyed each year. The BAT is a 38 question survey that provides a regular and consistent assessment on the physical conditions of each building's basic structure and systems and provides an overall assessment of GSA's building inventory. The process of identifying building deficiencies and developing a multi-year plan for R&A projects begins with the BAT. All R&A projects, not just those associated with DM&R, are prioritized using established weights of the pre-defined criteria and placed in order of importance. The project with the highest score receives the highest priority. Proposed projects are categorized by:

- Serviceability
- Space alteration or revenue enhancement
- Fire, life, health, and environmental safety
- Energy use reduction projects

Data collected in the BAT is gathered to support GSA's overall building assessment, workload planning, and budgeting needs, and is not designed to specifically capture data that would be defined as DM&R. However, subsets of the workload planning directly results from conditions classified as DM&R. GSA has determined from analysis of data in the BAT, that when applying certain data criteria, results can be used to provide a

reasonable estimate to meet the FASAB DM&R reporting requirements. At the end of FYs 2019 and 2018, based on the analysis of the BAT results, GSA estimates the total cost of DM&R to be approximately \$1.93 billion and \$1.455 billion respectively, for activities categorized as work needing to be performed immediately to restore or maintain acceptable condition of the building inventory.

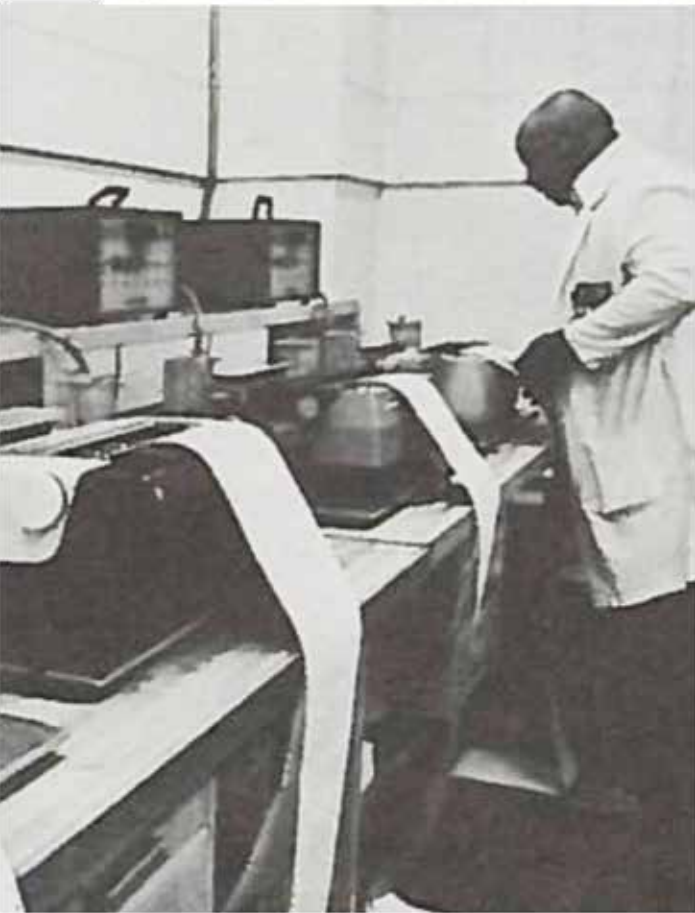
GSA measures the condition of its inventory of buildings by using an industry accepted metric called the Facility Condition Index (FCI). The FCI is the ratio between total Repair and Alteration Needs and the Functional Replacement Value of an asset (i.e. repair needs divided by the asset's replacement value). Based on the end of FY 2019 BAT data, approximately 70.95 percent of GSA's inventory, according to square footage, is considered in "Good Condition," with an FCI of 10 percent or less. There has been no significant change in reporting methodology in deferred maintenance and repairs from prior years.

### Supplemental Schedule of Budgetary Resources

In its principal financial statements, GSA displays balances for the two major funds (FBF and ASF) while combining all remaining funds into an "Other Funds" group. Within the Other Funds group, The Working Capital Fund (WCF) and Technology Modernization Fund (TMF) make up approximately 66 percent of the total budgetary resources. As these Funds are a very significant component of the total Other Funds budgetary results, below is a schedule showing the activities of WCF, TMF and Other Funds for the years ended September 30, 2019, and 2018 (dollars in millions).

	OTHER FUNDS EXCLUDING WCF AND TMF		WORKING CAPITAL FUND		TECHNOLOGY MODERNIZATION FUND		OTHER FUNDS TOTAL	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>BUDGETARY RESOURCES</b>								
Unobligated Balance from Prior Year Budget Authority, Net	\$130	\$118	\$133	\$129	\$66	\$—	\$329	\$247
Appropriations	302	261	—	—	19	89	321	350
Spending Authority from Offsetting Collections	42	50	684	659	1	—	727	709
Total Budgetary Resources	474	429	817	788	86	89	1,377	1,306
<b>STATUS OF BUDGETARY RESOURCES</b>								
New Obligations and Upward Adjustments	312	287	709	693	1	1	1,022	981
Unobligated Balance, End of Period								
Apportioned, Unexpired Accounts	62	63	26	20	84	88	172	171
Unapportioned, Unexpired Accounts	55	38	82	75	1	—	138	113
Unexpired Unobligated Balance, End of Period	117	101	108	95	85	88	310	284
Expired Unobligated Balance, End of Period	45	41	—	—	—	—	45	41
Unobligated Balance, End of Period, Total	162	142	108	95	85	88	355	325
Total Status of Budgetary Resources	474	429	817	788	86	89	1,377	1,306
<b>OUTLAYS, NET</b>								
Net Outlays from Operating Activity	256	243	(9)	36	—	—	247	279
Distributed Offsetting Receipts	(38)	(89)	—	—	—	—	(38)	(89)
Total Net Outlays	\$218	\$154	(\$9)	\$36	\$—	\$—	\$209	\$190

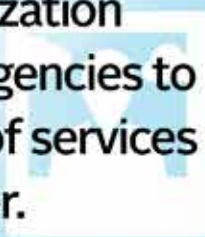
The accompanying notes are an integral part of these statements.



**OTHER  
INFORMATION  
(UNAUDITED)**

**I**n 2010, GSA becomes the first Federal agency to move email to a cloud-based system, which reduced inefficiencies and lowered costs by 50 percent.

Today, GSA's Centers of Excellence accelerate IT modernization across Government agencies to improve the delivery of services to the American taxpayer.





# INSPECTOR GENERAL'S ASSESSMENT OF GSA'S MANAGEMENT & PERFORMANCE CHALLENGES FOR FY 2020




U.S. General Services Administration  
Office of Inspector General

---

October 15, 2019

TO: EMILY W. MURPHY  
ADMINISTRATOR (A)

FROM: CAROL F. OCHOA   
INSPECTOR GENERAL (J)

SUBJECT: Assessment of GSA's Management and Performance Challenges for Fiscal Year 2020

As required by the Reports Consolidation Act of 2000, Public Law 106-531, we have prepared for inclusion in the Fiscal Year 2019 Agency Financial Report the attached statement summarizing what we consider to be the most significant management and performance challenges facing GSA in Fiscal Year 2020.

This year we have identified significant challenges in the following areas:

1. Establishing and Maintaining an Effective Internal Control Environment.
2. Improving Contract and Lease Administration Across GSA.
3. Enhancing Government Procurement.
4. Maximizing the Performance of GSA's Real Property Inventory.
5. Managing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch.
6. Prioritizing Agency Cybersecurity.
7. Securing the System for Award Management.
8. Managing Human Capital Efficiently to Accomplish GSA's Mission.
9. Safeguarding Federal Facilities and Providing a Secure Work Environment.

Please review at your earliest convenience. If you have any questions or wish to discuss our assessment further, please call me at (202) 501-0450. If your staff needs any additional information, they may also contact R. Nicholas Goco, Assistant Inspector General for Auditing, at (202) 501-2322.

Attachment



## Challenge 1 – Establishing and Maintaining an Effective Internal Control Environment

---

GSA continues to face significant challenges in establishing a comprehensive and effective system of internal control. GSA is required to establish and maintain internal controls through the Federal Managers' Financial Integrity Act of 1982, Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and the Government Accountability Office's (GAO's) *Standards for Internal Control in the Federal Government*. However, we remain concerned over GSA's control environment.

### Importance of Internal Control

Internal control is integral to an agency's success. An effective internal control system helps an agency adapt to shifting environments, evolving demands, changing risks, and new priorities. Most importantly, it helps government program managers achieve desired results by providing reasonable assurance that the agency is meeting three fundamental objectives:

- Effectiveness and efficiency of operations;
- Reliability of reporting for internal and external use; and
- Compliance with applicable laws and regulations.

To meet these objectives, management is responsible for designing, implementing, and monitoring control activities to ensure the system of internal control is operating effectively. Internal control must be built into the agency's infrastructure and serve to ensure the proper stewardship of public resources. The system of internal control should be the first line of defense in safeguarding assets and preventing and detecting errors and fraud. Accordingly, management must recognize that internal control is not one event, but a series of actions that occur throughout the entity's operation to achieve its objectives.

In our *Assessment of GSA's Management and Performance Challenges for Fiscal Year 2019*, we cited pervasive internal control weaknesses as a challenge for GSA. In response, GSA management has placed a greater emphasis on internal controls. However, internal control weaknesses continue to be identified across the broad spectrum of GSA programs, operations, and acquisitions indicating a need for direct management attention to develop a more effective internal control environment across GSA.

### Continuing Internal Control Problems

Over the past year, continuing problems with GSA's internal controls demonstrate that GSA should continue its efforts to address this challenge. The continuing problems include the following examples:

- The Federal Acquisition Service's (FAS's) failure to administer a Multiple Award Schedule contract with McKinsey and Company, Inc. (McKinsey) in accordance with applicable laws, regulations, and policies resulted in improper pricing.<sup>1</sup> In awarding McKinsey's contract, an FAS management official used invalid price comparisons, relied on unsupported information, and performed insufficient analyses to justify the contract pricing. The official also violated standards of conduct by advocating for McKinsey to other procurement officials. Finally, the official impeded an audit of McKinsey's contract by failing to take appropriate action as required by the Federal Acquisition Regulation (FAR) to obtain required data to complete the audit. As a result of these actions, GSA customers could pay an additional \$69 million over the option period for the contract.
- The Public Buildings Service (PBS) did not take appropriate action to protect tenants, contractors, and visitors from environmental hazards identified at the Goodfellow Federal Complex in St. Louis, Missouri.<sup>2</sup> PBS's response to environmental issues identified at the Goodfellow complex was hindered by poor environmental management programs, policies, and guidance. At the Goodfellow complex, PBS contracted for at least 33 studies costing in excess of \$1.9 million relating to environmental sampling and analysis. Most of these studies provided results that indicated various hazards were present at the complex and in many cases the results were duplicative of previous studies. Although these studies identified the presence of numerous environmental hazards, including lead, asbestos, and other known cancer-causing agents, PBS failed to comprehensively address the deficiencies or notify the complex's occupants of the existing conditions.
- PBS also did not provide effective oversight of its delegated leasing program.<sup>3</sup> PBS did not have accurate and reliable information on its delegated leases. For example, GSA's Real Estate Exchange system had incorrect information on lease rental values and rates—reporting rates 12 times higher than they actually were. PBS also did not know if agencies had the ability to manage their delegated leasing activities. This occurred because PBS did not regularly assess the delegated agencies' policies and procedures, or their performance in meeting key management goals. Lastly, PBS did not have procedures in place to ensure that delegated agencies enter into leases that conform to program requirements and the authority granted by GSA.

---

<sup>1</sup> GSA OIG Report, *Improper Pricing on the McKinsey Professional Services Contract May Cost the United States an Estimated \$69 Million* (Report Number A170118/Q/6/P19004, July 23, 2019).

<sup>2</sup> GSA OIG Report, *Audit of Environmental Issues at the Goodfellow Federal Complex in St. Louis, Missouri* (Report Number A170027/P/6/R19002, March 15, 2019).

<sup>3</sup> GAO report, *FEDERAL REAL PROPERTY: GSA Needs to Strengthen Oversight of Its Delegated Leasing Program* (GAO-19-405, June 3, 2019).

In some cases, GSA failed to acknowledge identified internal control problems and subsequently failed to take the appropriate corrective actions to address the issue. This serves to undermine the effectiveness of GSA's internal control environment, as illustrated by the example below:

- PBS's National Capital Region (NCR) did not comply with applicable laws, regulations, and guidance when awarding and administering the \$1.2 billion White Oak Energy Savings Performance Contract (ESPC) task order.<sup>4</sup> Specifically, PBS NCR violated the Competition in Contracting Act of 1984 and the competition requirements set forth in the FAR by awarding contract modifications that substantially increased the contract's scope of work for operations and maintenance (O&M) services for the entire White Oak campus. This action created a cardinal change to the contract that eliminated price competition and denied opportunities for other contractors. In addition, PBS NCR did not award and administer the task order in compliance with contract requirements, acquisition regulations, and internal policy.

The former PBS NCR Regional Commissioner did not agree that the contract modifications constituted a cardinal change and disagreed with our recommendation to take immediate action to expedite the procurement of a new O&M contract that adheres to federal competition requirements. In making this determination, the former PBS NCR Regional Commissioner asserted that management conducted a review of the contract modifications to determine the practical consequences of our recommendation and concluded that, given the specific contractual and operational conditions at the White Oak campus, re-competing the modifications would likely subject the government to significant contractual, programmatic, and financial impacts. PBS NCR also did not take actions to correct PBS NCR personnel's non-compliance with competition requirements and lack of funds for the obligation.

Compliance with laws and regulations is a key objective of an effective system of internal control. In this case, PBS NCR did not acknowledge or take responsibility for its failure to comply with laws and regulations and did not take actions to prevent this issue from reoccurring. This response demonstrates a willingness to accept violations of law and regulations if operationally convenient. This sets an example to the Agency that undermines GSA's system of internal control and increases the likelihood of future breakdowns in internal control.

In other cases, GSA has acknowledged control deficiencies, but did not take or has not taken timely actions designed to address the problems. For example:

- GSA acknowledged that, in response to a breach of personally identifiable information, it did not issue timely notifications to individuals affected by the breach—ultimately taking more than 2 years to complete these notifications due to a breakdown in its

<sup>4</sup> PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy (Report Number A150009/P/5/R17006, August 24, 2017).

breach response process.<sup>5</sup> In its corrective actions, GSA revised its Breach Notification Policy; however, the policy change was ineffective because it allowed for an unreasonable delay in GSA's timeframe for notifying affected individuals.

- PBS acknowledged health and safety concerns at a leased facility and identified corrective actions to address the concerns.<sup>6</sup> However, PBS did not take the corrective actions it identified to relieve the health and safety problems. PBS did not enforce the terms of the lease or take measures to ensure that all necessary maintenance and repair issues were addressed in a timely manner. It also did not move the tenant before the 2018 lease expiration date. Finally, PBS did not provide training that addressed the communication of environmental concerns and test results to affected building tenants.

Internal control serves as the first line of defense in safeguarding assets and helping managers achieve desired results through effective stewardship of public resources. However, the examples above demonstrate the need for direct management attention to develop a more effective internal control environment across GSA.

In response to our internal control management challenge for Fiscal Year (FY) 2019, GSA management initiated a series of actions to address the concerns about GSA's system of internal control. For example, GSA established a leadership team focused on tracking and resolving audit findings. GSA also initiated measures in an effort to address certain long-standing deficiencies, including assessments of policies and procedures and adjustments to the scope of internal procurement reviews.

While these are positive first steps, GSA's system of internal control needs further improvement. GSA management should therefore continue its efforts to implement a more effective system of internal control to ensure the Agency consistently complies with laws and regulations, produces accurate and reliable reports, and operates effectively.

## Challenge 2 – Improving Contract and Lease Administration Across GSA

GSA faces a challenge in providing appropriate oversight of its contracts and leases. As the acquisition and real property management arm of the federal government, GSA is responsible for the procurement of billions of dollars' worth of products, services, and facilities for federal government agencies. After award, GSA is required to provide effective oversight of its

<sup>5</sup> *Implementation Review of Corrective Action Plan: Audit of GSA's Response to the Personally Identifiable Information Breach of September 18, 2015, Report Number A160028/O/T/F16003, September 28, 2016 (Assignment Number A180001, October 19, 2018).*

<sup>6</sup> *Implementation Review of Corrective Action Plan: PBS Failed to Enforce Kress Building Lease Provisions and May Have Exposed Tenants to Health Risks, Report Number A160019/P/4/R17003, January 27, 2017 (Assignment Number A190023, July 31, 2019).*



contracts and leases to ensure that the government is receiving the goods and services it is paying for and to protect taxpayer dollars against the risk of fraud, waste, and abuse. Although oversight is a requirement for all contracts and leases, our audit reports have repeatedly identified instances where oversight was either insufficient or lacking entirely. While GSA has taken, or is taking, corrective actions to address specific audit findings, issues remain. GSA should take comprehensive and proactive steps to improve contract and lease administration practices across the Agency. Without the appropriate level of oversight, GSA risks undetected fraud, waste, and abuse and violations of the FAR.

In FY 2018 and FY 2019, our reports cited numerous examples of poor contract and lease administration practices, resulting in violations of laws and regulations, deviations from policies, customer dissatisfaction, and waste of taxpayer funds. For example:

- In June 2019, we issued an audit report that identified deficiencies in FAS's oversight of a task order awarded to assist the government-wide transition to the new 15-year, \$50 billion Enterprise Infrastructure Solutions (EIS) contract.<sup>7</sup> We found that FAS's ineffective administration of the task order resulted in high rates of spending with minimal transition progress. Further, we found that inadequate oversight of the task order invoices led to payments for unqualified employees and travel claims that were inaccurately billed and not pre-approved.
- In March 2019, we reported that PBS did not effectively manage changes to the information technology (IT) security requirements in contracts for real estate brokerage services.<sup>8</sup> PBS significantly changed the contractors' IT security obligations subsequent to contract award. By materially altering the time and cost associated with meeting the contracts' IT security requirements, PBS made a cardinal change to the contracts and violated the Competition in Contracting Act of 1984 and the FAR. Though this change may have resulted in a reasonable IT solution, PBS made the change without regard to the contract terms.

We also found that GSA lacked assurance that government data maintained on contractor systems was secure. GSA did not issue contract modifications or guidance reflecting the changes to its contracts' IT security requirements for more than 1 year after the changes were made. This led to a substantial period in which the contracts' IT security requirements were unclear and government data stored on contractor systems was potentially vulnerable to misuse.

<sup>7</sup> *Insufficient Management of Transition Support May Impede the Government-Wide Transition to Enterprise Infrastructure Solutions* (Report Number A170103/Q/T/P19003, June 28, 2019).

<sup>8</sup> *Audit of IT Security Requirements in GSA Leasing Support Services Contracts* (Report Number A170092/P/R/R19004, March 21, 2019).

- In June 2018, we issued an audit report on poor lease administration of the Eton Square Office Centre building in Tulsa, Oklahoma.<sup>9</sup> We found that PBS did not effectively fulfill its leasing responsibilities. Although PBS officials were aware before executing the lease that the building's roof leaked, they did not incorporate terms and conditions into the lease to ensure that the lessor followed through on its assertion that it would replace the roof prior to occupancy. As a result, despite recurring water leaks and mold problems in the building, PBS lacked the ability to compel the lessor to replace the roof and was ultimately forced to terminate the lease at a cost of \$974,000 to taxpayers.

In addition, PBS personnel did not follow PBS policies and procedures to identify and address accessibility deficiencies in the building. Consequently, the leased space did not comply with federal accessibility requirements and people with disabilities were unable to easily access the leased space.

Taken together, these examples demonstrate that GSA needs to address challenges in its oversight of its contracts and leases. Accordingly, GSA should take comprehensive and proactive steps to improve its oversight of contracts and leases to protect the Agency against the risk of undetected fraud, waste, and abuse and violations of applicable laws and regulations.

### Challenge 3 – Enhancing Government Procurement

---

One of GSA's strategic goals for FY 2020 is to establish itself as the premier provider of efficient and effective acquisition solutions across the federal government. As an integral part of GSA, FAS has significant responsibility in meeting this goal. According to FAS, its core objective is to leverage the buying power of the federal government to obtain necessary products and services at the best value possible. However, as FAS introduces initiatives to provide more efficient and effective acquisition solutions, it faces challenges in meeting its core objective and customers' needs.

FAS is undertaking the following initiatives:

- Supporting the government-wide adoption of category management;
- Transforming the Multiple Award Schedules Program (Schedules Program);
- Implementing procurement through commercial e-commerce portals; and
- Transitioning customers to the new EIS contract.

While these initiatives are intended to help FAS meet its strategic goal, they also significantly change FAS's processes and programs, affecting both its employees and its customers.

---

<sup>9</sup> *PBS's Leasing for the Eton Square Office Centre Was Not Effective or Compliant With Policies* (Report Number A170091/P/7/R18001, June 6, 2018).



### Supporting the Government-Wide Adoption of Category Management

In FY 2014, OMB and the Office of Federal Procurement Policy introduced category management, which the federal government adopted in order to buy smarter and more like a single enterprise.<sup>10</sup> The goals of category management are increased efficiency and effectiveness, decreased costs, and reduced redundancies. Since then, FAS has committed significant resources to implement category management, to pilot transactional data reporting (TDR) in the Schedules Program, to reorganize its workforce to align with the 10 categories of government spending, and to establish six executives as federal category managers.

In FY 2019, OMB issued a memorandum providing guidance on the use of category management.<sup>11</sup> This memo formalized FAS's role as the government-wide Category Management Program Management Office (Program Management Office) and established specific responsibilities to support the maturation of category management. With this new mandate, FAS is challenged to fulfill its new responsibilities as the Program Management Office for the entire federal government while also continuing to administer its contracting programs.

As the Program Management Office, FAS's new responsibilities include developing and managing resources to support category management such as training, checklists, and frequently asked questions; creating and maintaining processes and metrics for categories; and analyzing government-wide spending data. A significant responsibility also includes data management and analytics to create dashboards, which may require FAS to recruit and retain skilled staff. FAS plans to make much of this information available to the federal contracting community through its Acquisition Gateway, a portal intended for sharing data, allowing comparisons of various government-wide acquisition vehicles, and providing reference material and tools to assist government purchasers. Because the Program Management Office uses the Acquisition Gateway tool to fulfill its new category management role, FAS must ensure this portal is meeting its desired performance goals.

Historically, FAS measured the success of the Acquisition Gateway by the quantity of registered users and the number of federal agencies using it. As we reported in last year's *Assessment of GSA's Management and Performance Challenges*, FAS must also consider the number of returning, active users that also contribute accurate, useful, and accessible information to the portal and whose results affect government procurement. In response to our concerns, FAS implemented goal-based metrics to measure desired outcomes. Until these measures demonstrate that users rely on the Acquisition Gateway for information to make more informed purchasing decisions, FAS is challenged to ensure the success of the Acquisition Gateway and its use in assisting with the fulfillment of its new role as the Program Management Office.

<sup>10</sup> OMB memorandum, *Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (December 4, 2014).

<sup>11</sup> OMB Memorandum M-19-13, *Category Management: Making Smarter Use of Common Contract Solutions and Practices* (March 20, 2019).

Another hurdle for FAS is to promote the government-wide adoption of category management through the Program Management Office while simultaneously operating its contracting programs. Through its recent memorandum on category management, OMB tasked all federal agencies to increase the use of best in class contract vehicles that satisfy five OMB-required criteria.<sup>12</sup> One such criterion is the collection of transactional (or prices paid) data. However, because many of FAS's schedules do not collect transactional data, they are not eligible for best in class designations. As a result, FAS may see decreases in use of schedules and market share due to OMB's mandate. FAS must ensure programmatic decisions are not unduly influenced by the desire for best in class designations. Specifically, FAS began the ongoing Schedules Program TDR pilot to transform the government's pricing position and reduce contractor burden—not to obtain a best in class designation and thereby potentially increase usage and market share. Therefore, FAS must ensure it objectively measures the pilot against its intended purpose.<sup>13</sup>

FAS should consider these challenges as it moves forward in executing its new responsibilities as the government-wide category management Program Management Office while also managing the competing interests of its own contracting programs.

#### Transforming the Multiple Award Schedules Program

FAS has implemented several initiatives and tools, dating back to 2016, to transform its Schedules Program. These include “distinct transformation projects” aimed at consolidating schedules, reducing price variability through TDR, using automated tools for market analyses, and changing rules (regulations) to make the buying experience easier for user agencies. As detailed below, these initiatives and tools will have a significant effect on the Schedules Program. With these initiatives and tools occurring simultaneously, FAS is challenged to ensure they are effectively implemented. During this transformation, we continue to highlight the need for strengthened controls over the entire Schedules Program.

**Consolidated Schedules.** In an effort to reduce redundancy and duplication of services, products, and solutions across multiple acquisition centers, FAS is consolidating its current 24 schedules into a single all-encompassing GSA schedule. The new solicitation for the consolidated schedule will be effective at the start of FY 2020 and will apply to all new schedule offers. During the course of FY 2020, current schedule contracts will be converted to the new consolidated schedule via contract modification, with a planned completion date of FY 2021.

FAS expects this consolidation to reduce the administrative and contractual burden of maintaining duplicate contracts and allow schedule contractors to provide total solutions without maintaining multiple schedules. FAS has noted several challenges in transforming a program this large, including a lack of buy-in from all stakeholders, a lack of dedicated

<sup>12</sup> *Category Management: Making Smarter Use of Common Contract Solutions and Practices* (OMB M-19-13, March 20, 2019).

<sup>13</sup> For additional work on FAS's evaluation of its TDR pilot, see our audit report *Audit of Transactional Data Reporting Pilot Evaluation Plan and Metrics* (Report Number A140143/Q/T/P18004, dated July 25, 2018).

resources, excessive costs related to legacy systems, lack of insight into its own business trends, the need for new systems, and a myriad of legislative restrictions and necessary changes.

**Transactional Data Reporting.** TDR for orders placed against the Schedules Program was formalized in the Federal Register in June 2016 and piloted for select schedules beginning in August 2016. According to FAS, the purpose of TDR is to “transform price disclosure and related policies ... to improve the value taxpayers receive,” while also seeking to eliminate the burden associated with prior pricing disclosures. To do this, through the TDR pilot, contractors can opt to electronically report specific details, including prices for transactions placed under schedule contracts. In turn, contractors are no longer subject to the prior requirements for Commercial Sales Practices disclosures and Price Reductions Clause monitoring—which afforded price protections to schedule customers at the time of award and throughout the life of a possible 20-year contract.

More than 3 years later, FAS’s TDR remains a pilot, while the GSA Administrator recently approved its extension through FY 2020. Since pilot inception, FAS has experienced data issues that delayed category managers’ and contracting officers’ access to the TDR data provided by contractors. The data is not available for use to negotiate pricing—at the contract or order levels—while at the same time, sales continue under these contracts with important price protections waived.

In July 2018, we reported that FAS’s TDR evaluation plan and metrics would not allow it to objectively measure or evaluate whether the TDR pilot is improving the value of the Schedules Program. In response to this audit, GSA significantly modified the evaluation plan and metrics. However, no evaluation has yet been made using these new metrics. In addition, FAS is undergoing another major initiative to consolidate multiple award schedules (also listed as a FY 2020 Management Challenge) and it remains to be seen how this change will affect the TDR pilot and those contractors that have already opted into TDR for select contracts. As FAS progresses into the fourth year of the TDR pilot, it remains challenged to overcome data issues, ensure that stakeholders have access to and use the collected data, and provide GSA’s Office of Government-wide Policy accurate information for the evaluation of the pilot.

**Contract Awarded Labor Category and 4P Tools.** FAS contracting personnel are required to determine that awarded schedule pricing is fair and reasonable before the pricing becomes available for any federal agency to use in awarding task or delivery orders. To assist in making fair and reasonable determinations, FAS contracting personnel use automated pricing tools such as the Contract Awarded Labor Category Tool on services contracts and the 4P Tool on products contracts.

The Contract Awarded Labor Category Tool is designed to assist contracting officers in conducting market research using a database of schedule contract prices for approximately 81,000 labor categories on over 3,000 contracts. Contractors’ awarded schedule rates are entered into the database based upon the various awarding contracting officers’ files. This tool allows contracting officers to search contract prices by labor category and filter by education



level, experience, and worksite. However, contractors often discount their schedule rates at the task order level and the tool does not provide the actual price the government paid by labor category or the discounts granted to customer agencies. It likewise does not include any information regarding the rates contractors bill commercial customers for similar labor. Further, the tool does not consider factors such as geographic location or basic labor category qualification requirements, including specialized experience or skills and mandated professional licensing or certifications, which are essential to ensuring that a valid comparison is conducted.

The 4P Tool is a price evaluation tool that collects data on tens of millions of products and their pricing and identifies if offered item pricing is too expensive compared to other suppliers selling identical items. This tool attempts to standardize manufacturer names and part numbers, and each matched item receives a price risk score, which indicates the probability of the price being too high in comparison to its peers. However, contractors often discount their schedule pricing at the purchase order level and the tool does not provide the actual price the government paid or the discounts granted to customer agencies.

Finally, this tool is limited in that it cannot compare pricing for similar items, such as competing items from different manufacturers or resellers, as it can only evaluate pricing for a specific part number. This limitation also prevents comparisons of the same item offered by reseller contractors who have modified the manufacturer's part number when including the item on their respective contract.

Although contracting officers often rely on these tools, FAS is challenged to ensure: (1) the data within the tools is accurate and reliable, (2) the tools are being used appropriately considering the availability of other reliable pricing information, and (3) the tools adequately leverage the collective buying power of the government and produce the lowest overall cost alternative to meet the needs of the federal government as required by 41 USC 152. If FAS cannot ensure this, federal agencies are at risk of over paying for products and services.

**Implementation of Order-Level Materials.** Current and planned changes to the Schedules Program will affect the way ordering agencies use the program and put taxpayer dollars at risk. The rule change to include order-level materials (OLMs) as part of multiple award schedule task orders was rolled out in 2018. This implementation of the OLM rule allows ordering agencies to include supporting supplies and services on individual orders at the time of contract award, even if the exact needs or price are not fully known. Historically, schedule contracts did not allow for unknown and unpriced supplies and services to be included.

While the rule is designed to give ordering agencies more flexibility, there is a risk that schedule customers may not receive fair and reasonable pricing for those materials as the exact OLMs are determined when a task order is issued, and thus, the responsibility for determination of fair and reasonable pricing for these OLMs resides with the ordering agency, not the FAS contracting officer. Although GSA has limited the total value of OLMs on an individual task or delivery order to 33.33 percent (one-third) of the order total, this potentially allows for billions of dollars in unpriced schedule activity to occur.

### Implementing Procurement through Commercial E-Commerce Portals

Section 846 of the National Defense Authorization Act for FY 2018, *Procurement through Commercial E-Commerce Portal*, requires FAS, in coordination with OMB, to establish a government-wide program to procure products through multiple commercial e-commerce portals. The program's intent is to enhance competition, expedite procurement, gather market research for routine commercial acquisitions, and thus enable contracting officers to focus on complex, high-value acquisitions.

FAS is pursuing a phased approach to this initiative, as mandated by the legislation. So far, FAS has performed market research including holding industry days, receiving demonstrations of various e-commerce portals, and releasing Requests for Information focusing on topics including terms and conditions, user experience, and cybersecurity. In July 2019, FAS issued a draft solicitation for portals to test the concept with a planned launch for late 2019 or early 2020. This test will consist of multiple "e-Marketplace" portals, which will sell products from third-party suppliers, possibly alongside the portal providers' own products. In order to encourage purchasing through the portals, FAS requested that Congress raise the micro-purchase threshold for purchases under these portals from \$10,000 to \$25,000, for a period of 5 years.<sup>14</sup>

The implementation of government-wide e-commerce portals is a complex endeavor requiring FAS to address multiple issues as it prepares to release the test portals, including the following:

- **Use of benchmarks and metrics.** FAS needs effective benchmarks and metrics to evaluate the results from commercial e-commerce portals; however, necessary baseline data may not exist or may only be obtained once the portals are in use. Moreover, FAS will be challenged to evaluate the portals until they achieve significant adoption by government agencies. The adoption rate will be unknown as use of these commercial e-commerce portals is not mandatory. FAS will be further challenged to parse the results from the commercial e-commerce portals from other changes throughout the acquisition marketplace, such as the pending Schedules Program consolidation and the recent increase of the micro-purchase threshold to \$10,000.
- **Balancing commercial practices with federal regulations.** FAS needs to balance using commercial practices while adhering to relevant federal regulations and policies. FAS and other stakeholders have acknowledged this challenge since Section 846 was enacted. For example, federal regulations and policies related to competition, data and physical security, and small business usage were established to protect the government and support various public policy initiatives. However, incorporating these requirements for the e-commerce portals could limit the portals' ability to streamline procurement, reduce competition when selecting portal providers, and negatively affect pricing.

<sup>14</sup> A micro-purchase is an acquisition of supplies or services using simplified acquisition procedures below an established dollar threshold.



- **Use of e-commerce portal data.** FAS needs to consider opposed interests on the use of data in the e-commerce portals. Portal providers assert that they will need to use the data to effectively manage their portals, while third-party product suppliers assert that portal providers may use the data to undermine competition. FAS will need to gather additional information and structure the portals so that it can monitor this issue.
- **Impact on existing acquisition programs.** FAS needs to assess the potential effects on existing acquisition programs. While FAS's goal is to focus on open market spending, it is possible that the portals could have unintended negative consequences for other acquisition programs. For example, the Trade Agreements Act does not apply to sales under the micro-purchase threshold, which could economically incentivize suppliers to abandon the Schedules Program in favor of the commercial e-commerce portals.

As FAS attempts to fulfill its responsibilities under Section 846 and begins testing the e-commerce portals, it must consider these issues and remain vigilant to the unintended consequences of implementing this initiative.

#### Leading the Transition to the Enterprise Infrastructure Solutions Contract

FAS is leading the government-wide transition from the expiring Networx telecommunications and IT infrastructure contracts to the new EIS contract. EIS is a 15-year, \$50 billion contract that provides customer agencies with common telecommunication services and IT infrastructure such as voice, cloud services, call and data centers, satellites, and wireless services. To reduce overlap and duplication, EIS aims to consolidate offerings currently provided by national and regional contracts and leverage the government's buying volume to reduce prices. Additionally, customer agencies are using the transition to EIS as an opportunity to enhance cybersecurity and modernize federal IT.<sup>15</sup>

Since the transition began in April 2016, FAS has encountered significant challenges in its efforts to move customer agencies to EIS. From delays in awarding the EIS contract to issues with administering a task order meant to provide direct support to customer agencies, these challenges substantially affected FAS's ability to transition more than 200 customer agencies by the initial March 2020 deadline.

In December 2018, FAS announced that it was extending the transition deadline by 3 years to allow more time for transition execution. However, FAS specifically noted that customer agencies should not use the extension for the solicitation and task order award process, but instead use it for transition execution activities. In announcing the extension, FAS instructed customer agencies to issue solicitations to industry by March 31, 2019, or one of the transition support tools—the Transition Ordering Assistance program—would cease. However, only 19 of the 137 (13 percent) expected solicitations had been issued to industry by the March 31, 2019, deadline.

<sup>15</sup> *Report to the President on Federal IT Modernization* (American Technology Council, December 13, 2017).

The Transition Ordering Assistance program—which provides telecommunications and acquisition expertise directly to customer agencies—is offered through a task order that we found ineffectively administered.<sup>16</sup> Deficiencies in FAS’s planning and management, as well as in its oversight of the contractor’s performance and invoicing led to high rates of spending with minimal transition progress.

FAS’s revised transition milestone dates shortened the time allotted to award EIS task orders to September 30, 2019, and only 1 of the 42 medium and large agencies met this deadline.<sup>17</sup> Although agencies continue to miss established transition deadlines, an FAS official recently downplayed the importance of meeting them in public remarks delivered during an August 2019 industry event.<sup>18</sup> This mixed message could result in agencies continuing to miss future deadlines without fear of consequence—including FAS’s “firm” deadline that the transition must be complete by May 2023. FAS must identify and use improved methods to ensure customer agencies meet the extended transition deadlines. Otherwise, the government’s use of the Networx contracts during the prolonged transition decreases potential cost savings from reduced acquisition costs and volume buying available under EIS.

#### **Challenge 4 – Maximizing the Performance of GSA’s Real Property Inventory**

PBS must maximize the performance of its real property inventory in order to provide its tenant agencies with space that meets their needs at a reasonable cost to taxpayers. To achieve this goal, PBS should plan the best approach to reducing and consolidating space and reducing leasing costs, disposing of federal property, meeting the operations and maintenance needs of aging buildings, and ensuring effective management of energy and utility contracts.

##### **Reducing and Consolidating Space and Reducing Leasing Costs**

PBS is implementing major initiatives designed to meet its goals of reducing and consolidating space needs and reducing lease costs. PBS senior management has prioritized these initiatives within the Agency and in outreach to the real estate community and has aligned its performance measures accordingly. While these initiatives represent positive steps to save taxpayer dollars, PBS faces a host of challenges as it implements the initiatives and works to obtain the desired results.

**Reducing and Consolidating Space.** PBS’s Strategic Capital Investment plan recognizes

<sup>16</sup> *Insufficient Management of Transition Support May Impede the Government-Wide Transition to Enterprise Infrastructure Solutions* (Report Number A170103/Q/T/P19003, dated June 28, 2019).

<sup>17</sup> FAS categorizes agencies by business volume into three groups: small, medium, and large. FAS transition reports focus on the 42 medium and large agencies.

<sup>18</sup> American Council for Technology and Industry Advisory Council’s, *Networks and Telecommunications Community of Interest Meeting*, August 21, 2019.

opportunities to accelerate the reduction of space by increasing space utilization and tenant consolidation. The strategy calls for investment in major building improvements, new construction, and consolidation projects.

In April 2019, PBS established the Asset Segmentation Model. This model evaluates the value that an asset has to the government and classifies an asset into one of four asset strategy segments: maintain, optimize, realign, or reposition. The Asset Segmentation Model is based on several criteria, including physical condition, Funds from Operations (FFO), and occupancy rate.<sup>19</sup> For example, PBS would classify a building as a “reposition” asset if it has high reinvestment needs due to a backlog of maintenance issues, a high vacancy rate, and negative FFO.

The consideration of FFO and occupancy rates is integral to ensuring that PBS makes effective decisions aimed at reducing and consolidating space in its owned and leased portfolio. However, we have found that these factors are not always considered. For example, in our March 2019 report on the financial performance of leases in PBS’s NCR, we found significant financial losses caused by poor planning and execution of leases.<sup>20</sup> For one major lease consolidation project, we found that PBS NCR did not consider the costs associated with the vacant space generated by the consolidation. When the consolidation occurred, it generated over 430,000 square feet of vacant leased space. GSA was forced to absorb the rental costs and real estate taxes associated with the vacant space, resulting in an FFO loss of \$8.3 million.

We recognize that decisions related to reducing and consolidating space are challenging. Accordingly, it is important that management considers all information in planning for consolidation projects in order to make the most cost effective decisions. While space consolidations may reduce long-term costs and improve space utilization rates, PBS should evaluate the full financial impact of any vacant space generated to ensure consolidations represent the best interests of the taxpayer.

Consolidations also provide additional challenges for GSA because they require significant upfront funding. For example, in advance of any consolidations, GSA needs to reconfigure and renovate space to accommodate the incoming agencies and provide necessary upgrades to fire, heating, ventilation, and air conditioning systems. Since FY 2014, Congress has provided GSA with the authority to use funds for space consolidation projects. However, GSA did not receive funding for its consolidation activities in its FY 2019 appropriation. While GSA has requested \$75 million to fund consolidation activities in its *FY 2020 Congressional Justification*, it is faced with the challenge of delaying consolidations without the necessary upfront funding, forcing the Agency to retain a larger real estate footprint at a higher cost to the taxpayer.

<sup>19</sup> FFO is a key metric of a GSA-owned or leased asset’s financial performance. It is calculated by subtracting expenses (exclusive of depreciation) from revenues.

<sup>20</sup> *Audit of the PBS National Capital Region’s Lease Financial Performance* (Report Number A170047/P/R/R19003, March 20, 2019).



**Reducing Leasing Costs.** PBS's Lease Cost Avoidance plan aims to save \$4.7 billion by 2023. The plan includes numerous strategies, including focusing on the 20 percent of leases that represent 77 percent of rental payments, negotiating longer firm-term leases, and negotiating leases at least 3 percent below market rates.

PBS reported \$915 million in future lease cost avoidance through actions taken in FY 2018. According to PBS, these savings were largely driven by two factors. First, PBS reduced extensions by over 17 percent over FY 2014 levels. An extension is a sole-source, negotiated agreement between the lessor and the government allowing the tenant agency to continue to occupy its current location when the tenant is unable to vacate the property when the lease expires. Second, PBS reduced holdovers by 50 percent over FY 2014 levels. A holdover is created when the tenant continues to occupy the premises beyond the expiration date of the lease term. The government has no contractual right to continue occupancy but the tenant remains in place without a written agreement.

The short-term nature of extensions and holdovers often limits GSA's ability to obtain favorable contract terms, resulting in higher leasing costs. Accordingly, PBS's push to avoid costs in the lease portfolio through a focus on larger leases and longer terms is a positive step toward reducing costs and more effectively managing its lease portfolio. However, PBS faces three significant challenges as it continues to implement this strategy.

First, PBS must ensure that this centralized strategy is consistently adopted across its 11 regions. Second, PBS has historically faced challenges in obtaining tenant agency space requirements in a timely manner, which can result in costly delays. Tenant agencies may also face funding limitations that prevent them from covering the costs associated with moving to a new location.

Finally, PBS will face challenges to address the potential adverse effects on lease financial performance resulting from the Lease Cost Avoidance plan. Leadership from both PBS and the Office of the Chief Financial Officer (OCFO) have asserted that implementation of the plan will require management to devote more resources toward larger leases that are more likely to generate long-term savings. However, this will lead to increased overhead expenses for these leases and contribute to FFO losses until the leases are fully occupied. PBS and OCFO management have stated that they are willing to accept these losses in pursuit of potential long-term lease savings goals. Nonetheless, management should retain ample focus on FFO, as it remains an important financial measure that can indicate problems with a lease that may require management attention.

#### Disposing of Federal Property

The goal of the Federal Assets Sale and Transfer Act (FASTA) is to reduce federal real estate expenditures and the size of the federal real estate portfolio. It created the Public Buildings Reform Board to identify opportunities to reduce the federal real property inventory and make recommendations to sell vacant or underutilized properties. FASTA also required GSA to

establish a publicly accessible database of federal property for the entire federal government. In December 2017, GSA met this requirement when the Federal Real Property Profile Management System was made accessible to the public.

As it continues its efforts to reduce the size of the federal real estate portfolio under FASTA, PBS must continue to plan for and navigate through a complex and lengthy process when disposing of its own properties and the properties of other federal agencies. Once an agency reports a property as excess, PBS must first determine if another federal agency can use the property. If not, PBS must make the property available for public benefit use, such as a homeless shelter, educational facility, or fire or police training center. PBS can negotiate a sale with state and local governments, or nonprofit organizations if the property will be used for a public purpose. If the property remains available after those steps have been completed, PBS can then conduct a competitive sale of the property to the public.

The length of time it takes to dispose of federal real property is problematic because various costs continue to be incurred during the process. While a property is vacant, underutilized, and proceeding through the disposal process, the federal government remains responsible for ongoing maintenance, operations, and security costs. Additionally, the property remains in the government inventory and unavailable for local development.

There are several examples of federal real estate sitting vacant for an extended period of time and accumulating maintenance costs while going through the disposal process. As publicly reported, the David Dyer Federal Building, located in Miami, Florida, sat vacant for nearly 8 years, costing taxpayers an estimated \$1.2 million per year until the property was transferred to a local college. Similarly, the Cotton Annex, located in Washington, D.C., was vacant for nearly 10 years until it was sold to a developer. The longer it takes federal real estate to go through the disposal process, the more likely it is the property will deteriorate and accumulate repair costs before it can be disposed of. As a result, this will make it even more difficult for the government to dispose of the property.

The current Administration recognizes this challenge and the need for a streamlined property disposal process as well. The June 2018 *Delivering Government Solutions in the 21<sup>st</sup> Century, Reform Plan and Reorganization Recommendations*, outlines the Administration's proposed property disposal improvements. These include eliminating parts of the multi-step process listed above, as well as allowing federal agencies to retain net proceeds of sales. As the reduction of the federal real estate portfolio remains a priority, the real property disposal process will continue to be a focus. GSA must continue to plan for and navigate through the disposal process when disposing of its own properties and the properties of other federal agencies.

#### Meeting the O&M Needs of Federal Buildings

PBS continues to focus on minimizing maintenance costs while still maintaining or improving building performance. However, challenges exist to managing the deferred maintenance and



repair backlog, the declining condition of its inventory of buildings, and the implementation of new strategic initiatives.

In an effort to save taxpayer money through better management of federal real estate, GSA focuses on achieving maintenance costs within market range. GSA did not meet its FY 2018 goal to keep maintenance costs within market range and is currently working with a contractor to refine market comparisons. GSA should ensure performance goals lead to informed management practices and portfolio management.

GSA agrees that reduced levels of building O&M could lead to increased costs and become especially problematic since the identified repair needs of PBS's building portfolio are already high and growing. In its FY 2018 Agency Financial Report, GSA reported that approximately 26 percent of its inventory's square footage was not in good condition; a nearly 3 percent increase from the previous year. At the end of FY 2018, GSA estimated the total cost of deferred maintenance and repairs to be approximately \$1.5 billion, representing work needing to be performed immediately to restore or maintain an acceptable condition of the building inventory. This is a \$70 million increase from the previous fiscal year.

One of GSA's strategic initiatives for FY 2019 includes the aggregation of maintenance requirements, while not affecting services. GSA has acknowledged that not all maintenance requirements should be consolidated and its workforce must perform adequate analysis to ensure sound acquisition strategy. GSA is facing resistance from its workforce to this change in acquisition strategy and must manage this resistance to achieve its goals.

GSA must ensure that reductions to its current O&M costs do not affect its ability to provide safe, reliable, and functional building performance for its tenants and the public.

#### Ensuring Effective Management of Energy Savings Performance Contracts and Utility Energy Service Contracts

Between December 2010 and February 2019, PBS awarded over \$1.8 billion in ESPCs and utility energy service contracts (UESCs). However, ESPCs and UESCs are high-risk areas for PBS, with high-dollar contract values and long-term financial commitments. Without effective management, PBS may not realize the savings needed to fund these contracts.

Under an ESPC, the government contracts with an energy service company to install energy-saving upgrades to buildings and pays the energy service company from the energy savings generated by the upgrades. An ESPC can last for up to 25 years. A UESC is a contract between a federal agency and a utility company for energy management services, including energy and water efficiency improvements. The utility company pays most or all of the upfront costs, and the government repays the utility company through utility savings, appropriated funds, or a combination of the two. UESCs can also last up to 25 years.

In recent audits of ESPCs, we identified a number of challenges.<sup>21</sup> We found that PBS:

- Risked paying for unrealized energy savings on 10 of the 14 ESPC task orders we sampled and did not achieve energy savings on another task order;
- Did not comply with requirements for establishing fair and reasonable pricing;
- Awarded one ESPC task order for a building that may be sold, transferred, or otherwise disposed;
- Awarded an ESPC without an approved Measurement and Verification Plan for achieving energy savings;
- Awarded a task order that resulted in a cardinal change that violated federal competition requirements; and
- Did not comply with Agency policy on the inclusion of the Limitation of Government Obligation Clause.

In February 2017, PBS Facilities Management Service Program officials expressed their continued concern that actual ESPC savings may fall short of the expected savings calculated at the beginning of the contract. Also, they said it is a challenge to determine when it is appropriate to include operations and maintenance costs in the contracts. PBS officials stated that in 2018 they had centralized the ESPC program within the Office of Facilities Management and that they hoped this would reduce the number of issues with the contracts.

Likewise, UESCs also present a number of challenges for PBS. The primary risks involved with UESCs include:

- Limited competition among utility companies;
- A high number of sole-source contracts; and
- A lack of mandated savings guarantees.

Due to the lack of competition and use of sole-source contracts, PBS is vulnerable to paying a high cost for these projects. In addition, because UESCs are not mandated to guarantee savings upon project completion, upfront costs to execute UESC projects may not be offset by the estimates of the long-term savings. PBS has spent time and energy for the past 3 years establishing UESCs and has instituted a Memorandum of Understanding for oversight with GSA's Acquisition Management. However, UESCs are a contract vehicle that we have not yet evaluated and so there may not be sufficient controls in place to ensure that risks are addressed and mitigated.

---

<sup>21</sup> *PBS Energy Savings Performance Contract Awards May Not Meet Savings Goals* (Report Number A150009/P/5/R16003, September 27, 2016); and *PBS National Capital Region's \$1.2 Billion Energy Savings Performance Contract for White Oak was Not Awarded or Modified in Accordance with Regulations and Policy* (Report Number A150009/P/5/R17006, August 24, 2017).

PBS officials should award and administer these unique contract vehicles to ensure that energy and cost savings are realized; otherwise, these projects will increase PBS's costs instead of providing the savings needed to fund the projects.

### **Challenge 5 – Managing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch**

---

In June 2018, the Administration released a plan to reorganize the federal government in "Delivering Government Solutions in the 21<sup>st</sup> Century: Reform Plan and Reorganization Recommendations." The plan stated that several core functions currently performed by the U.S. Office of Personnel Management (OPM), including retirement services, federal employee health care and insurance programs, and Human Resources Solutions, would transfer to GSA. Subsequently, an inter-agency transition team established a 1-year timeline that would accomplish both the legal and operational aspects of the GSA-OPM merger by October 1, 2019. Initial integration efforts were focused on OPM's Human Resources Solutions services, while the other core functions (retirement services and health care and insurance programs) would transfer at a later date. In October 2018, the inter-agency transition team decided that GSA would also absorb OPM's IT functions by October 1, 2019. In April 2019, the inter-agency transition team also began to consider the possibility that GSA would absorb OPM's oversight role of the Chief Human Capital Officer Council and the Performance Accountability Council.<sup>22</sup>

Since GSA and OPM jointly initiated merger activities, several critical contingencies have not materialized and the original timeline is now unsustainable. To date, the agencies have yet to determine the legal authorities necessary to complete the transition. Additionally, the House Appropriations Committee has refused GSA's 2020 budget request for \$50 million to cover transition costs, and the 2020 spending bill contains language that specifically blocks the GSA-OPM merger. The House Oversight Committee, skeptical of the need for the merger, has requested from OPM and GSA more detailed justifications and analyses than have been provided thus far. With these recent developments, the merger is in a holding pattern and its status is evolving.

Notwithstanding these unexpected obstacles and uncertainty, GSA intends to begin offering human resource services, similar to those currently provided by OPM. GSA believes these new offerings would align with the other shared services it provides, including those falling under the OMB-authorized Quality Service Management Office for federal human resource services. GSA is examining the possibility of achieving the merger through alternative means and trying to determine what can be done absent legislation. GSA faces considerable challenges in managing this fluid situation. Its challenges include:

---

<sup>22</sup> The Chief Human Capital Officer Council advises and coordinates human capital-related matters and initiatives across Executive branch agencies. The Performance Accountability Council ensures alignment of and establishment of standards for suitability, credentialing, and security clearance processes and procedures across federal agencies.

- Determining the legal authorities and/or obtaining congressional approvals needed to complete the merger;
- Determining which OPM services would be feasible GSA offerings and why;
- Assessing the impact of the new offerings on current government human resource services and operations; and
- Assessing the financial viability and impact of the merger. GSA must determine what staffing is required, how its IT infrastructure will be affected, and what change management and stakeholder management efforts would be needed.

These efforts will be further complicated by provisions in spending bills that restrict agencies from spending money on reorganization plans without congressional approval. GSA must also determine the financial means by which it will conduct these activities.

### **Challenge 6 – Prioritizing Agency Cybersecurity**

---

Federal agencies and the nation's critical infrastructures are dependent on IT systems to carry out their missions and operations. The risks to these systems are increasing as security threats evolve and become more sophisticated. The security of these systems and the data they contain is vital to national security as attacks have the potential to cripple infrastructures, disrupt organizational operations, and jeopardize data and sensitive information.

GSA IT is responsible for delivering secure IT products and services to GSA programs and personnel. These products and services must comply with applicable federal and GSA security standards. In FY 2020, GSA IT will remain challenged with strengthening its IT security controls in high-risk areas as identified in recent audits conducted by GAO, GSA's independent external auditor, and our office. In an environment of constant threats, GSA IT needs to ensure that GSA's IT systems and information are adequately protected to prevent the disruption of Agency operations and the unauthorized disclosure of sensitive information.

#### **Protecting Building Automation Systems in GSA Facilities**

PBS owns approximately 1,600 assets and manages approximately 7,000 leased assets totaling over 360 million rentable square feet. Smart building technologies, which are internet-connected building automation systems, have been implemented within GSA-managed facilities to monitor energy use and equipment operations such as heating and ventilation controls.

Because these building automation systems are internet-connected, there are inherent security risks that include unauthorized access, use, and disruption of system operations. GSA reported security incidents involving building automation systems in FY 2018 and FY 2019 that involved access, protection, and privacy control violations by Agency employees and contractors. Compromised building automation systems may be used to create disruptions in Agency



mission-critical operations and pose risks to GSA's IT resources, including facilities and employees.

#### Controlling Access to Sensitive Information in GSA Systems

As security threats continue to increase in number, GSA will continue to face challenges pertaining to the protection of sensitive information within its systems. A cybersecurity attack could disrupt organizational operations, putting GSA data and sensitive information at risk.

This sensitive information includes, but is not limited to the following:

- Procurement-sensitive information, such as information related to bidding and prices paid, that must be kept confidential to protect the integrity of the acquisition process;
- Personally identifiable information, such as resumes and personal contact information, that must be kept confidential to prevent harm to individuals;
- Contractors' financial information, such as bank account information, that must be protected to ensure payments are not fraudulently redirected;
- Sensitive but unclassified information, such as architectural drawings, that must be protected to ensure the safety of government employees and the public; and
- Mobile device data, such as information transferred on GSA networks using government-furnished equipment or mobile bring-your-own-devices that must be protected to ensure no gateways are provided for malicious software to enter networks.

We have previously reported on threats to personally identifiable information maintained by GSA. These threats originate from personally identifiable information exposure within a GSA-owned system, the mishandling of contract award information, and unauthorized access given to internal infrastructure documents.

Additionally, the FY 2018 annual Federal Information Security Modernization Act of 2014 review of GSA's IT security program identified the following vulnerabilities in risk, configuration, and access management controls that could be exploited to gain access to sensitive information:

- System security plans were not documented in accordance with GSA requirements or were missing information, which could lead to the system owner overlooking potential risks with critical controls and compromising the system;
- Lack of the formalized review and acceptance of contractor system information demonstrating compliance with GSA security requirements, which could result in GSA failing to identify and track potential security weaknesses that need to be remediated by the contractor;
- System personnel did not review vulnerability or baseline compliance scans, which could increase the amount of risk the system is exposed to, including configuration



weaknesses or vulnerabilities that could compromise the operational integrity of the system; and

- Account management issues where account re-certifications were not performed and user accounts were not removed in a timely manner after user separation from GSA, which could allow non-authorized users access to the information system.

In FY 2020, GSA will continue to face challenges with maintaining the integrity, availability, and confidentiality of its infrastructure and the sensitive information contained within its IT systems. GSA management has a responsibility to protect the systems it operates or are operated on its behalf and the information contained within. It is imperative that GSA continues to assess and address these challenges to strengthen its security posture and its overall IT security program.

### Challenge 7 – Securing the System for Award Management

---

FAS is responsible for the System for Award Management (SAM), the end product of a Presidential e-government initiative to consolidate 10 procurement-related legacy systems. These systems, collectively known as the Integrated Award Environment (IAE), are used by those who award, administer, and receive federal funds. In FY 2018, \$3.98 trillion in federal funds were transferred through the IAE. The volume of money that flows through the IAE, which will eventually consolidate all of its systems into SAM, makes SAM a target for cyber attacks and fraud.

From 2016 to 2018, significant security incidents exposed SAM's vulnerability related to the identity verification of individuals and their authorization to conduct business on behalf of a company. Much of the information regarding these incidents is law-enforcement sensitive; however, a recent prosecution publicized an instance in which a criminal successfully redirected a payment of \$1.521 million to a business registered in SAM into an account the criminal controlled.<sup>23</sup>

Additionally, FAS needs to incorporate system changes to comply with regulatory updates. A FAR final rule eliminated the use of Dun and Bradstreet's proprietary Data Universal Numbering System (DUNS) number as the unique entity identifier, and Dun and Bradstreet's GSA contract expired in 2018. Accordingly, in early 2019, GSA awarded a 5-year, \$41.75 million contract to Ernst and Young LLP for entity validation services. Ernst and Young's unique entity identifier will replace DUNS numbers, which SAM uses to control entity relationships and user permissions. If significant system changes are necessary to implement this change, additional security risks could surface during the transition.

Finally, public information in SAM is susceptible to misuse by third parties. For example, third parties are using public information generated by SAM to contact system registrants to request

---

<sup>23</sup> Eastern District of New York Docket No. 17-CR-256 (SJ), (April 18, 2018).

money to complete or renew their registration, even though registration in SAM has always been free of charge. In some instances, third party registration services are offered for a fee, and in other instances, third parties fraudulently claim to represent GSA and request fees from the registrant. This has the potential to erode public trust in SAM and the government's ability to protect the interests of contractors doing business through SAM.

The success of the SAM initiative is critical to enable agencies to share acquisition data and make informed procurement decisions, make it easier for contractors to do business with the government, and generate savings for the taxpayer. FAS must ensure the appropriate technical controls and safeguards are implemented to secure the system and protect the users and data from malicious threats.

### **Challenge 8 – Managing Human Capital Efficiently to Accomplish GSA's Mission**

The federal government faces long-standing challenges in strategically managing its workforce. GAO first added federal strategic human capital management to its list of high-risk government programs and operations in 2001. Although there has been improvement since then, federal strategic human capital management remains one of GAO's 35 high-risk areas in 2019 because mission-critical skills gaps within the federal workforce pose a high risk to the nation. Skills gaps also played a significant role in 16 of GAO's 34 other high-risk areas. GAO stated that agencies need to take action to address mission-critical skills gaps within their own workforces—a root cause of many high-risk areas.<sup>24</sup>

GSA must focus on hiring and retaining staff with the necessary skills to perform critical functions, especially given the number of GSA employees in mission-critical roles who will be retirement-eligible in the near future. GSA identified seven mission-critical occupational categories—Acquisition, Financial Management, IT, Program Management, Property Management, Realty, and Human Resources. As of May 2019, these occupational categories make up 44 percent of GSA's workforce. GSA faces the loss of experience and expertise through retirements as 15 percent of the mission-critical workforce are eligible to retire now and 32 percent will be eligible to retire over the next 5 years. The importance of a skilled workforce is highlighted by GSA's responsibility to provide value to customer agencies, comply with increased regulatory requirements, and mitigate the risk of IT security threats.

In its November 2018 response to our assessment of GSA's management challenge for human capital last year, GSA stated that it conducted a workforce planning initiative to identify and address gaps between the workforce of today and the human capital needs of tomorrow. According to GSA, this initiative further confirmed the need to address risks associated with turnover rates and high retirement eligibility, through succession management and knowledge transfer. GSA stated that key workforce planning focus areas for the Agency include: retention,

<sup>24</sup> *High-Risk Series – Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas* (GAO-19-157SP, March 6, 2019).

organizational design/functional alignment, recruitment/staffing, talent development, succession planning, and performance management. Further, GSA stated that it will continue to pursue an annual workforce planning cycle to ensure human capital strategies are updated to reflect the evolving human capital needs of the Agency. Finally, to maintain expertise in mission-critical occupations, GSA also plans to establish an enterprise-wide competency management program to build critical competencies needed throughout the Agency and to support Agency succession planning.

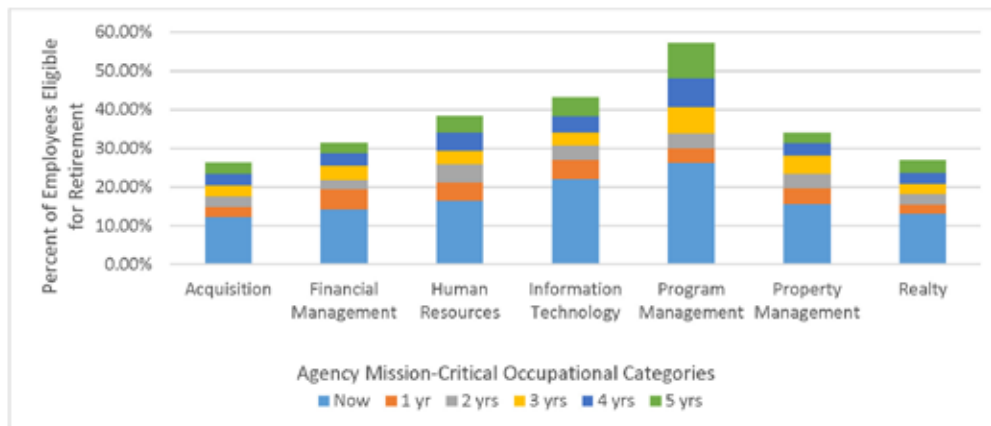
In our 2019 meetings with Agency management, officials noted the following challenges regarding human capital:

- An FAS Office of General Supplies and Services official expressed concern about the aging workforce and the need for a more streamlined and flexible hiring process.
- FAS's Office of Information Technology Category (ITC) Assistant Commissioner for Integrated Technology Services also stated that his concerns included the aging workforce and loss of institutional knowledge. He said ITC needs to ensure that acquisition employees can keep pace with technology to make sure they meet customer agency needs; however, ITC is not always able to backfill with the same expertise or skill set.
- GSA IT officials noted that the human resource area is still a challenge and probably will always be a challenge because IT as a functional area is so unique. They stated that they lose people to the private sector all of the time due to the compensation differences between the private and public sectors. This makes it especially hard to recruit and retain staff within the Washington, D.C., area. To compensate, they are hiring IT Specialists in other locations. In other efforts to address this challenge, they stated that they have been aggressively offering rotations and details for their IT Specialists to help with retention. Regardless, they stated that they still have challenges meeting competing priorities.
- GSA's Chief Financial Officer stated that the OCFO has scaled back its staff. He noted that they probably reduced headcount more than they should have, but this is being emphasized throughout the government. A challenge, however, is that GSA is often directed to take on additional tasks and functions that are not in its current scope of work—for example, the GSA-OPM merger.
- Our discussions with the PBS Commissioner and officials from PBS Portfolio Management, Acquisition Management, and Project Delivery all revealed concerns that staffing levels are too low and that PBS is having difficulty filling positions and retaining employees.

As shown in *Figure 1*, between 26 and 57 percent of the staff in GSA's mission-critical occupations are eligible for retirement in the next 5 years, as of August 31, 2019.<sup>25</sup>

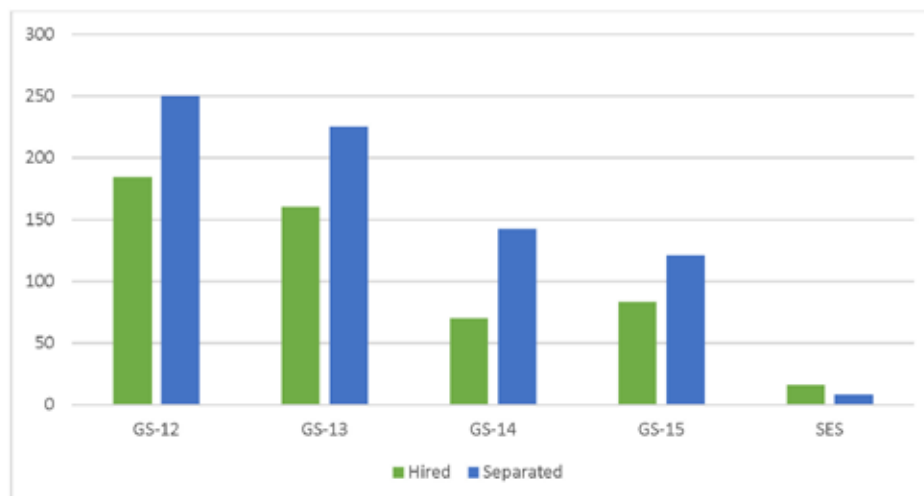
<sup>25</sup> All percentages contained within this management challenge and all charts and figures are based on data compiled by the GSA Office of Human Resources Management, unless otherwise noted.

**Figure 1 – GSA 5-Year Retirement Eligibility by Mission-Critical Occupational Category**



GSA must prepare to adapt to this potential loss of expertise. However, GSA is already challenged with managing actual loss of veteran expertise, as *Figure 2* shows a comparison of the number of new hires to separations (grade 12 to executive level) during the 12-month period ended May 31, 2019.

**Figure 2 – GSA Hires and Separations in Prior 12 Months**





With a significant portion of its mission-critical workforce eligible to retire over the next 5 years, GSA must strive to maintain technical expertise as the Agency works to meet regulatory requirements and customer demands.

### Challenge 9 – Safeguarding Federal Facilities and Providing a Secure Work Environment

---

GSA plays a significant role in providing a safe, healthy, and secure environment for employees and visitors at over 8,600 owned and leased federal facilities nationwide. Under Presidential Policy Directive 21 on *Critical Infrastructure Security and Resilience*, government facilities were designated as a critical infrastructure sector and GSA and the Department of Homeland Security (DHS) were named as responsible agencies. In accordance with a recently executed Memorandum of Understanding between GSA and DHS, DHS's Federal Protective Service (FPS) is the primary agency responsible for providing law enforcement, physical security, facility security committee participation, security assistance, and tenant training to GSA tenant agencies, buildings, and facilities. Meanwhile, GSA is responsible for the installation, maintenance, and repair of approved security fixtures (including physical access control systems) and, through its Office of Mission Assurance, coordination with FPS to ensure building occupant security.<sup>26</sup>

We have reported that GSA's security clearance process for contractors needs improvement. Our reports recommended corrective actions to ensure all contractor employees accessing GSA facilities have the proper security clearances prior to obtaining site access. We have also recommended that background investigation information be shared with, and retained by, contract and project management staff.<sup>27</sup> During an audit of PBS procurements, we found limited evidence of coordination among the GSA Chief Security Office and PBS officials to ensure only suitable individuals could access federal buildings.<sup>28</sup> In another audit, we found that contractor employees who had not received security clearances were allowed to work on a construction project at a federal building.<sup>29</sup>

<sup>26</sup> Security fixtures are defined as physical security measures that are either part of the building or attached and not easily removable from the building. These are distinguished from security equipment, which are not part of the building and are easily removable; FPS is responsible for the installation and maintenance of security equipment.

<sup>27</sup> *Implementation Review of Corrective Action Plan Contract Administration for Group 10 Recovery Act Limited Scope and Small Construction Projects Report Number A090184/P/R/R12008* (Assignment Number A130130, March 28, 2014); and *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

<sup>28</sup> *PBS NCR Potomac Service Center Violated Federal Regulations When Awarding and Administering Contracts* (Report Number A130112/P/R/R15004, March 27, 2015).

<sup>29</sup> *PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building* (Report Number A150120/P/2/R16002, March 17, 2016).



In addition to reporting on problematic contract administration, we issued two evaluation reports in March 2016 that found GSA-managed facilities are at an increased risk of unauthorized access. Unauthorized access to federal facilities increases the risk of a security event such as an active shooter, terrorist attack, theft of government property, or exposure of sensitive information. We identified significant deficiencies in GSA's process for managing GSA issued Homeland Security Presidential Directive 12 Personal Identity Verification cards given to contractors and for ensuring the completion of contractor employee background investigations.

We also found deficiencies in GSA's tracking and maintenance of contractor employee background investigation data stored within GSA's Credential and Identity Management System.<sup>30</sup> In addition, we found widespread use of unsecured, unregulated facility-specific building badges at GSA-managed facilities. GSA did not have adequate controls over these badges and could not determine the extent of their associated security risks because it did not centrally monitor the management of the badges.<sup>31</sup>

In December 2017, we also reported on deficiencies in GSA's use of facility security assessments to ensure the protection of its buildings and tenants. FPS performs facility security assessments to evaluate a building's security risk and recommend countermeasures to mitigate the risk. GSA, in coordination with building tenants, determines which countermeasures to implement. However, in a recently completed audit on this subject, we found that GSA did not have the facility security assessment reports for most of the buildings sampled. Accordingly, GSA needs to track facility assessment reports and to ensure staff understand their responsibilities regarding the use of the reports and the implementation of countermeasures.<sup>32</sup>

GSA has taken some corrective actions to resolve the above deficiencies. In response to the evaluation reports, GSA agreed to address vulnerabilities associated with building-specific facility access cards and Homeland Security Presidential Directive 12 Personal Identity Verification cards. GSA management also indicated that it resolved its Credential and Identity Management System deficiencies, and that facility access cards have been replaced by physical access controls in all but three regions. In addition to the actions noted above, GSA has also recently placed greater emphasis on the performance and implementation of facility security assessments.

However, our recent reports point to the need for additional management action. For example, in an August 2017 implementation review, we found that PBS has not taken all corrective

<sup>30</sup> *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Management of Contractor HSPD-12 PIV Cards* (Report Number JE16-002, March 30, 2016).

<sup>31</sup> *GSA Facilities at Risk: Security Vulnerabilities Found in GSA's Use of Facility Specific Building Badges* (Report Number JE16-003, March 30, 2016).

<sup>32</sup> *GSA Should Monitor and Track Facility Security Assessments* (Report Number A160101/O/7/F18002, December 4, 2017).

actions to prevent contractor employees from working on construction projects in federal buildings without the appropriate security clearances.<sup>33</sup> Similarly, in June 2018, we reported that FAS did not ensure that contract employees received favorable background investigation determinations before providing them with access to sensitive government information, systems, and facilities.<sup>34</sup> Taken together, our findings point to the need for GSA management to increase its emphasis on overall security.

---

<sup>33</sup> *Implementation Review of Corrective Action Plan PBS is not Enforcing Contract Security Clearance Requirements on a Project at the Keating Federal Building* Report Number A150120/P/2/R16002 (Assignment Number A170083, August 23, 2017).

<sup>34</sup> *FAS Did Not Ensure That Contract Employees Had Background Investigations Before Providing Support to Agencies Transitioning to Enterprise Infrastructure Solutions*, (Interim Memorandum Number A170103-4, June 29, 2018).

## GSA RESPONSES TO THE OFFICE OF INSPECTOR GENERAL'S MANAGEMENT CHALLENGES FOR FY 2020 (UNAUDITED)

### CHALLENGE # 1: Establishing and Maintaining an Effective Internal Control Environment Across GSA

#### Agency Actions Completed or Planned

GSA recognizes the importance of an effective internal control system to the agency's success. When internal controls were identified as a management challenge in FY 2019, GSA took an enterprise-wide approach with the following actions to strengthen the agency's internal control environment.

- **GSA established top leadership** support to address these issues by establishing a Senior Leadership Team representing the Heads of GSA Services and Staff Offices (SSOs). This team, co-chaired by the Deputy Administrator and the Chief Financial Officer (CFO), directs management attention to developing a more effective internal control environment across GSA. It provides high-level governance over the response to internal control deficiencies, established goals, and priorities, and increases Senior Executive accountability to resolve internal control weaknesses through regular meetings to assess status and performance.
- **GSA chartered a Performance Audit and Internal Control Working Group** with the specific responsibility of reviewing and revising audit and internal controls procedures, improving coordination and communication of program audit and internal control activities across the agency, and developing action plans to strengthen internal controls. This group takes an agency-wide approach to identify and address internal control weaknesses and elevate and recommend issues to the Senior Leadership Team.
- **GSA analyzed program audit and internal control issues** to identify and analyze root causes. This analysis was used to inform an action plan that identifies specific steps to ensure compliance with laws and regulations, the timely resolution of audit issues, and the elimination of repeat audit issues. The action plan also outlines performance metrics to measure progress against goals, ensure quality of program audit data, and report progress to the Senior Leadership Team.
- **GSA expanded internal reviews** conducted by the Procurement Management Review Division. In FY 2019, this group expanded their review scope to include contract administration and Multiple Award Schedule (MAS) team-based contracts and to require enterprise-wide corrective action plans to address compliance and internal control weaknesses.

GSA developed corrective action plans for each of the audits and findings referenced in this management challenge. GSA has worked with the OIG to strengthen our internal controls over programs, resulting in significant reductions in the number and age of open audit recommendations compared to prior years.

In FY 2020, GSA looks forward to working in partnership with the OIG and expects to demonstrate continued progress in resolving audit issues and strengthening our internal control environment.

## CHALLENGE # 2: Improving Contract and Lease Administration Across GSA

### Agency Actions Completed or Planned

GSA strengthened the oversight and control environment relating to contract and leasing through several efforts, including through the use of data to drive visibility, policy changes, workforce changes, and Procurement Management Reviews (PMR).

In 2014, GSA created the agency-wide acquisition balanced scorecard, under which monthly reports on key metrics are developed for each Head of Contracting Activity (HCA) across the agency. The HCAs are sent monthly updates on performance and can check their progress and status at any point. The Senior Procurement Executive (SPE), Assistant Commissioners for Acquisition Management, and other agency leaders review these results on a regular basis and follow up to address concerns.

Recognizing particular challenges in leasing and in IT acquisition, GSA worked with the Office of Personnel Management to obtain direct-hire authority for lease contracting officers and is increasing staffing. GSA is also developing a comprehensive IT Acquisition Competency Model. GSA developed an updated model for the key competencies required of IT buyers and baselined the workforce against the new model in October 2019. The focus for FY 2020 is to develop strategies to fill identified gaps through industry and Government-developed training.

GSA's Office of Acquisition Policy also issued three General Services Acquisition Manual changes to address OIG concerns related to contract and leasing administration practices:

1. 2019-G505 (effective April 16, 2019) addresses OIG concerns regarding missing contract file documentation. It provides for consistent management of contracts through a standard file format, ensuring that documents that tend to be found in many places across multiple systems will be easier to locate.
2. 2019-G506 (effective August 2, 2019) provides a common framework for conducting acquisition reviews, including at the post-award phase. This is the first time GSA has required structured acquisition reviews across the agency and a review of contract performance as part of review panel processes.
3. 2019-G509 (effective September 16, 2019) is a response to inconsistent policy leading to customer concerns, industry complaints, and added costs. It clarifies that draft policies, such as FAS Policies and Procedures, Procurement Instructional Letters, and Leasing Acquisition Alerts, be shared with the SPE prior to issuance. This is an important effort to drive policy standardization.

In October 2019, the GSA SPE directed that the FY 2019 PMR cycle place a greater emphasis on assessing GSA's contract administration environment. The Office of Government-wide Policy (OGP) then collaborated with FAS and PBS to develop a comprehensive list of test questions to assess GSA activities in contract administration in terms of compliance with laws, regulations, and policies, as well as quality. The test questions were generally grouped into four major categories of contract administration activities: budget, schedule, roles and responsibilities, and oversight documentation. A total of 12 GSA contracting activities were reviewed in FY 2019. The groups were subsequently provided with detailed results of their performance based on the test questions. The entities reviewed in FY 2019 were:

- **FAS:** Region 6, Region 8, Region 11, Travel, Transportation, and Logistics, and Information Technology Category;
- **PBS Acquisition:** Region 6, Region 8, and PBS Energy Division;

- **PBS Leasing:** Region 6, Region 8, and Region 11; and
- **OAS:** Office of Internal Acquisition

Findings and recommendations specific to one entity required a corrective action plan (CAP) from the specific head of contracting activity. OGP requested CAPs from three entities in FY 2019.

OGP identified four enterprise-wide findings and is drafting recommendations to issue to GSA Heads of Services and Staff Offices. These recommendations request resolution of the findings with CAPs. The Office of Administrative Services will monitor and track progress and successful completion.

In August 2019, the PMR Division shared all results from the FY 2019 PMR cycle with FAS, PBS, OAS, and OCFO at a 2-day planning session. In this session, the test questions were also reviewed to identify areas where the review process should be strengthened in FY 2020. In response to the OIG's findings regarding Enterprise Infrastructure Solutions contract, FAS submitted a CAP to address the six recommendations. GSA is working with the OIG to receive final approval on the CAP, which describes the controls that have already or will be implemented by June 29, 2020. These controls include:

1. An updated interagency agreement with clear roles and responsibilities to be executed on a yearly basis;
2. More stringent reporting on financials, schedules, and deliverables on a weekly basis to closely monitor transition progress;
3. Moving the responsibility of task order assistance management to a new management team including a new contracting officer, contracting officer's representative, and the addition of a contracting specialist;
4. Newly established procedures for invoice reviews that ensure the proper oversight and payments for qualified employees and pre-approved travel claims.

In FY 2020, contract administration will remain a focus and OGP plans to conduct PMRs with the following GSA contracting organizations:

- Region 7 - FAS, PBS Acquisition, and PBS Leasing (December 2019)
- Electronic contract file review - GSA-Wide sample (January 2020)
- FAS Government wide acquisition contracts (February 2020)
- Reimbursable work authorizations - PBS Leasing (February 2020)
- Region 3 - FAS, PBS Acquisition, and PBS Leasing (March 2020)
- Region 1 - FAS (April 2020)
- Region 9 - FAS, PBS Acquisition, and PBS Leasing (April 2020)

### CHALLENGE # 3: Enhancing Government Procurement

#### Agency Actions Completed or Planned

One of GSA's core missions is to provide efficient and effective acquisition solutions across the Federal Government through innovative initiatives. To maximize outcomes and mitigate potential challenges in



its acquisition mission, GSA leverages an enterprise-wide approach, engages key internal and external stakeholders, implements policy and infrastructure in support of Government-wide goals, and incorporates key performance metrics that accurately and objectively measure program effectiveness. To that end, GSA is in the process of implementing several complex acquisition initiatives, including the Government-wide adoption of category management (CM), the Multiple Award Schedules Program (MAS) consolidation, the rollout of commercial e-commerce portals, and the Enterprise Infrastructure Solutions (EIS) transition.

### **Supporting the Government-wide Adoption of Category Management**

Category management is an approach to acquisitions that allows the Federal Government to buy smarter and more like a single enterprise. When CM was introduced as a Government-wide initiative in 2014, FAS faced the challenge of fulfilling new responsibilities as the Program Management Office (PMO) for the entire Federal Government while simultaneously satisfying its long-standing acquisition mission through FAS' contracting programs.

To address this challenge, FAS collaborated with the Office of Management and Budget (OMB) to establish a dedicated CM PMO that is wholly focused on promoting CM adoption Government-wide. The PMO supports the 10 Government-wide categories - 6 of which are led by GSA executives - and provides best-in-class (BIC) solution program support, where solutions are designated by OMB for maximum Government use. Of the approximately 40 current BIC solutions to date, the majority are GSA contracts or vehicles.

OMB Memo 19-13, issued in March 2019, has helped to institutionalize CM, noticeably increasing awareness and interest for agencies to implement CM. The PMO leads collaboration and education opportunities designed to increase this implementation. Examples of PMO-led activities include a CM implementation group, comprising all 24 CFO Act agencies; the BIC Community of Practice; education on the implementation of CM principles and available Government-wide solutions for procurement needs; training and demos of CM tools and materials; and ongoing collaboration with the FAS Office of Customers and Stakeholder Engagement to reach customer agencies.

In FY 2019, OMB's Office of Federal Procurement Policy and the Department of Justice each launched hubs on the Acquisition Gateway as a way to make policies, training, and job aids more accessible to their workforces. The hubs were accessed 880 times and 202 times, respectively. In FY 2020, the Government-wide Category Management (GWCM) PMO will continue to improve its CM content on the Acquisition Gateway.

The Acquisition Gateway also continues to add functionality that provides a value-added, tool-rich experience. The new Independent Government Cost Estimate tool leverages negotiated pricing data from FAS service contracts to help agencies baseline their acquisitions. This tool enables users to create more accurate estimates of what acquisitions could cost, assisting with both budget forecasting and price evaluation. Another tool, eBuy Open, provides access to all the requests for information and requests for quote posted on eBuy since 2013. This data provides the acquisition workforce with examples of acquisitions conducted in all 10 categories of spend.

Prior to 2018, the primary challenge to category and contracting office consumption of transactional data reporting (TDR) was the absence of the data analyst skill set within those communities to leverage raw TDR data. To address this challenge, the GWCM PMO established the GWCM Acquisition Analytics platform as a medium to deliver meaningful comparative analytics from TDR for BIC contract solutions and schedules (optionally) to CM teams and contracting officers. At present, the Acquisition Analytics Platform provides

comparative analytics on 5.1 million transactions from 21 contract solutions, representative of 1,204 unique vendors. TDR-sourced data constitutes 116,000 transactions, 34 unique vendors, and 2 unique contract solutions. The penetration of this platform into CM teams and departmental contract officer operations was identified as an evaluation metric in the FY 2020 TDR Pilot extension.

### **Transforming the Multiple Award Schedules Program**

A key element in addressing challenges associated with efforts to streamline Federal acquisition is the establishment of FAS' Federal Marketplace initiative (FMP), an initiative that includes several acquisition enhancement efforts. A cornerstone project of FMP is MAS consolidation, which accomplished its first milestone on October 1, 2019, with the release of the new consolidated schedule solicitation for the MAS Contract Vehicle.

When MAS consolidation was introduced, FAS noted several challenges in transforming the schedules program, including a lack of buy-in from all stakeholders, a lack of dedicated resources, excessive costs related to legacy systems, a lack of insight into business trends, the need for new systems and legislative restrictions (such as protest parity, cooperative purchasing restrictions and limited to commercial ordering). FAS took several steps to ensure the success of the project:

- FAS established an Integrated Project Team (IPT), which included members from across the FAS enterprise as well as the GSA Office of Strategic Communication. Meetings were also attended by the GSA Office of General Counsel and the GSA Office of the Inspector General. Creating the cross-functional IPT ensured the effort was properly resourced and provided the project with adequate subject-matter expertise on the various offerings in the MAS Program.
- To ensure that stakeholders' buy-in was achieved, FAS implemented multiple communication tactics throughout the project's lifecycle. FAS completed a robust external communication plan, including speaking engagements, an open [maspmo@gsa.gov](mailto:maspmo@gsa.gov) email, live and recorded webinars, [interact.gsa.gov](https://interact.gsa.gov) posts, blog posts, and two requests for information, both of which received overwhelmingly positive feedback. To further ensure agencies understood the forthcoming changes, FAS created a customer fact sheet that was shared with agencies.
- The MAS IPT took a measured approach to ensure most agencies would see little to no change in MAS services and product offerings. The MAS consolidation used existing Federal Acquisition Regulation (FAR), General Services Administration Acquisition Regulation, and Federal Supply Schedules clauses, ensuring a single, consistent solicitation. Using existing clauses provides a foundation for this contract vehicle that allows for further review of terms and conditions, and allows for flexibility to address future legislative and rule-making.
- To ensure a strategic view, the MAS consolidation focused on targeted updates that ensure the systems support the publication of the new solicitation and are able to receive offers. This effort was successful as demonstrated by the fact that FAS has already received submitted offers.

### **Transactional Data Reporting**

As FAS continues the TDR pilot, some challenges remain, such as data quality issues, stakeholder access to and use of the collected data, and the ability to provide an evaluation of the pilot. To address these challenges, FAS continues to review transactional data and has granted TDR data access to the FAS acquisition workforce

and CM teams, with the goal of improving the data maturity level and confidence in the data. Improved data will enrich the Price Point PLUS Portal (4P) Tool and strengthen the position of the acquisition workforce during contract negotiations. GSA has enriched the TDR data with CM data to demonstrate buying patterns by agencies and pricing trends. TDR will also be foundational in the justification for allowing the MAS contract vehicle to be a BIC contract rather than a Spend Under Management Tier II contract, supporting multiple initiatives from OMB. During FY 2020, the TDR pilot will be evaluated using the new evaluation plan issued by the GSA Office of Government-wide Policy.

### **Contract-Awarded Labor Category (CALC) and Price Point PLUS Portal Tools**

MAS contract vehicles are negotiated with a ceiling rate using fair and reasonable pricing. During the base contract award, the CO negotiates with industry partners to ensure best value contract pricing. These contracts are negotiated for an order of one unit and product pricing is further negotiated to include volume discounts, which are displayed publicly via the GSA Advantage!® price list. This is further supplemented by FAR Subpart 8.405-4 Price Reductions. This base-unit negotiation approach provides the program flexibility related to pricing, allows customers to purchase based on the actual needs of the agency, obtain additional discounts when placing orders through eBuy!®, and take advantage of volume discounts. Currently, FAS provides a transparent view of pricing options that are on the awarded MAS contracts.

The 4P Tool and CALC data are each one of several factors used to conduct market research. The way a service is quoted during the actual order is critical because multiple factors must be taken into account. Factors include location, pricing variations associated with the part of the supply chain from which the contractor is providing the item (manufacturer vs. reseller), and how the service is used. The CALC Tool can be used to compare pricing for similar labor categories at the ceiling rates. The 4P Tool provides a range of the ceiling rate price for products. This type of data is combined with additional market research and reviews of market trends to create a more comprehensive view of trends.

Using programs such as TDR, FAS has measured that ceiling pricing is lower overall compared to ceiling rates using the Commercial Sales Practice (CSP). This was determined by comparing the ceiling rates of products on GSA Advantage! from TDR price lists to those using the CSP. It is important to have a ceiling rate that is based off of a best value continuum rather than lowest price. Lowest price introduces risks into supply chain manufacturing and also quoting services that cannot be completed within the time and cost quoted.

### **Implementing Order-Level Materials (OLM)**

FAS has made an effort to mitigate challenges related to the implementation of OLM by limiting the total value of OLMs on an individual task or delivery order to 33.3 percent (one-third) of the order total. Currently, FAR Subpart 8.402(f) provides ordering activities with the ability to order “open market” items on orders and blanket purchase agreements (BPAs) for administrative convenience. FAS implemented the OLM Special Item Number (SIN) to move this spend to the MAS contract vehicle. This would allow FAS to have a better understanding of spending due to the sales reporting requirements. Similar to the open market buying ability allowed by the FAR, OLMs also have restrictions. This includes a maximum total by order, and above certain thresholds a fair and reasonable determination needs to be established by the ordering activity. The contractor must also invoice all OLMs as individual line items; which provides more transparency as the agency can see the actual items that are in the OLM SIN. Further, for those contractors participating in TDR they must report these sales transactionally, thus providing FAS the ability to learn if there are services or supplies that need a new SIN to complete the MAS contract.

### Implementing Procurement through Commercial E-Commerce Portals

GSA and OMB announced the completion of Phase 2: Market Research and Consultation in April 2019. In this implementation plan, GSA and OMB outline three key decisions necessary to begin the implementation of the FY 2018 National Defense Authorization Act (NDAA), Section 846 directive:

- Begin operational implementation of the program with an initial proof of concept to start small, test, and refine as lessons are learned;
- Limit purchases made through the initial proof of concept to the micro-purchase threshold (MPT) to drive adoption and mitigate risk; and
- Start with the e-marketplace model for this initial proof of concept while continuing to assess opportunities to leverage the benefits of the other commercial e-commerce portal models.

Moving into Phase 3: Implementation Guidance, and continuing through FY 2020, GSA is focused on three key areas:

- Implementing the initial proof of concept in early calendar year 2020
- Developing implementation guidance and success metrics for the initial proof of concept; and
- Continuing to engage stakeholders, including partnering with agencies that are interested in helping to shape the initial proof of concept

GSA issued a solicitation in October 2019 to request proposals from e-marketplace portal providers meeting the business-to-business requirements of the proof of concept for the Commercial Platforms program. The program seeks to modernize how commercial products are bought via the open market by Federal agencies through partnerships with multiple commercial e-marketplace platform providers, while helping agency partners gain better visibility and insights into their online spend.

The goal of the proof of concept is to start small with a subset of participating agencies to test, refine, and ultimately grow the program based on the lessons learned. By launching the initial proof of concept in early calendar year 2020, GSA offers a way for agencies to access commercial platforms as part of a whole-of-Government approach and improve visibility into their online spend. FAS is implementing an agency engagement and change management strategy with those subset of agencies who are committed to participating in the initial proof of concept. While the program is not mandatory, GSA plans to share a letter of intent with each participating agency so that it can benchmark and measure usage accordingly.

FAS will work as part of Phase 3: Implementation Guidance to define clear stage gates based on the actual collected spend data to evaluate how well the initial proof of concept is performing. This evaluation will enable FAS to identify changes or investments that might be required for larger program expansion and will answer questions identified in the Phase 2 implementation plan:

- To what extent is the program successfully modernizing the commercial off the shelf buying experience?
- To what extent is the program attracting buyers and thus shifting work away from COs to allow them to focus on higher value and more complex work, and what changes would need to be addressed for a broader expansion?
- To what extent can the program's increased transparency, both in terms of spending data visibility and access to mandatory source and socioeconomic programs, drive better buying strategies and decisions?

FAS will respond to these questions as part of the Phase 3 report due April 2020, and will include the related metrics and benchmarks.

One of the key areas of interest in Section 846 among various stakeholders is the balance of commercial practices with Federal regulations. Congress directed GSA to follow commercial practices to the maximum extent practicable; however, Section 846 does not grant relief from existing statutes governing the purchase of commercial items. To assess this balance, FAS concluded that it would launch the initial proof of concept at the MPT level. The MPT provides a less complicated and more commercial-like way to begin gaining experience with commercial e-commerce platforms. By starting with a more scaled approach, GSA can test the impacts for a minimal investment and make informed decisions on where to grow the program in the future.

Another area of concern was regarding the use of data by portal providers. FAS intends to use the proof of concept to monitor the impacts of the data protection clarifications in Section 838 of the FY 2019 NDAA to better understand and assess concerns across e-marketplace model portal providers and the supplier community and to evaluate whether further statutory clarifications are needed. At this time, FAS has included the Section 838 language in the solicitation with the expectation that portal providers comply with this directive. Additionally, the solicitation specifies that data and information accessible to the portal providers is proprietary to the Government.

Throughout the implementation of the initial proof of concept, FAS will continue to assess the potential effects of the Commercial Platforms initiative on existing acquisition programs. It's important to note that the Commercial Platforms initiative is not intended to replace existing Government purchasing channels. Instead, the platforms will be a valuable purchasing tool available to agencies with the added benefit of visibility - helping agencies gain insights into their spend and to better manage supply chain risk. The ordering guidance issued as part of the solicitation for implementation of the initial proof of concept emphasizes and addresses relevant sources of supply to minimize impact on existing acquisition programs.

### **Leading the Transition to the Enterprise Infrastructure Solutions Contract**

GSA continues to partner with agencies and industry to achieve IT modernization and fiscally responsible acquisition of IT infrastructure by leveraging the GSA-awarded EIS contract. GSA has established an action plan to achieve the modernization objectives, address enterprise level transition, incorporate contemporary service delivery models, and deliver overall compliance (e.g., security, IT acquisition policy). To be successful, GSA recognizes that agencies and industry must also serve as strong partners in leading the transition toward IT modernization goals within an aggressive timeframe.

Additionally, the GSA action plan recognizes the challenges identified by the GSA OIG, including agency acquisition planning delays, full service exit, and transition execution. The central objectives of this action plan are to

1. Increase collaboration within and across agencies and industry
2. More aggressively leverage the transition to EIS to drive network infrastructure modernization as directed in the President's Report on Federal IT Modernization issued in December 2017;
3. Manage in a unique operating environment post EIS-award (e.g., need for dual operations during transition); and



4. Ensure the products and services delivered through EIS address the emerging and growing security challenges of today's operating environment.

A primary challenge in achieving these objectives is the time and effort required to complete transition prior to the 2023 expiration of many of the extended legacy contracts.

The departure from the full-service telecommunications delivery model reflects the need for modernization and greater compliance with statutes like the Federal IT Acquisition Reform Act and acquisition guidance. The telecom industry is considering eliminating legacy infrastructure components as early as December 2023. At the same time, Federal budget cycles and resource constraints (funding, systems, people) create additional complexity which affect the length of time needed to effectively transition from legacy infrastructure. OMB required each agency to develop and maintain their EIS transition plan. GSA's responsibility is to assist in transition with lessons learned from previous transitions and inform agencies of solutions they can leverage to modernize. GSA's action plan to lead EIS transition addresses the challenges by focusing on agency collaboration at strategic and tactical levels, industry collaboration, small agency support, and Government-wide tools and forums to address Government-wide problems.

## **CHALLENGE # 4: Maximizing the Performance of GSA's Real Property Inventory**

### **Agency Action Completed or Planned**

In FY 2019, GSA began implementing the Real Estate Investment and Savings Strategy to maximize the performance of its real property portfolio, save taxpayer money, and reduce costs for GSA and customer agencies. By executing this strategy, GSA anticipates saving several billion dollars in future Federal spending. This strategy consists of three components:

- Footprint Optimization
- Lease Cost Avoidance
- Productivity

In implementing this strategy, GSA is maximizing the performance of its real property inventory to meet the needs of its customer agencies, at the best value for taxpayers. The plan, which allocates appropriated and authorized resources in the most effective and cost-efficient manner, addresses the OIG's concerns about PBS's real property inventory challenges.

### **Footprint Optimization**

GSA's footprint optimization initiative is reducing and consolidating space to decrease real estate and leasing costs, one of the OIG's highlighted challenges. GSA optimizes its footprint by focusing on real estate solutions in owned and leased assets. From the inception of Reduce the Footprint in FY 2015 to end of FY 2019, GSA has helped its customers realize a reduction of 4.6 million rentable square feet (RSF), with over 6 million RSF in leased space offsetting the 1.5 million RSF increase in GSA's owned inventory.

For further space reductions in FY 2019, GSA developed new tools, reports, and system enhancements to identify assets that can be more effectively utilized. GSA is partnering closely with Federal agencies to drive higher utilization rates and space reductions. GSA implemented the Asset Segmentation Model, the Integrated Planning process, and new tools to improve timeliness of gathering customer requirements, and continues to leverage its Total Workplace Program to engage agencies and enable effective design. Through the Workplace Investment Feasibility Model (WIFM) tool, which allows for expedited scenario-based planning

and rough order of magnitude estimating of solutions, agencies are provided with proper data to make informed decisions for effective reductions. In addition to WIFModel, GSA's workplace strategists, workplace surveys, scorecards, and other tools enable clients to align projects and enterprise program goals. Together, GSA develops planning solutions to optimize assets utilization through tenant housing and workplace strategies, outleasing to private entities, and disposal. Ultimately, GSA works with Federal agencies to design cost-efficient space that meets mission requirements in appropriately sized space.

GSA is implementing action plans to reduce the amount of vacant space and losses associated with lease Funds from Operations (FFO). GSA's vacant space of 3 percent remains significantly lower than reported by CBRE Office Vacancy Report (June 2019) of 12 percent. The agency continues to seek ways to backfill vacant space timely to reduce costs.

Additionally, GSA will continue to reduce space through capital investments and consolidation projects. The enacted FY 2019 Budget provided GSA with \$276 million in Major Repairs and Alterations funding with the requirement that a spending plan and explanation of projects be provided to the Committee on Appropriations in the House and Senate. As part of that expenditure plan provided to Congress in May 2019, PBS allocated over \$90 million to two projects on the Denver Federal Center that will result in approximately \$7.6 million annually in lease cost avoidance, and allocated approximately \$22 million to assist in the consolidation efforts at the Department of Education headquarters in Washington, DC, that will result in approximately \$6.5 million in lease cost avoidance when the project is complete. Additionally, PBS has proposed allocating \$13 million of the \$276 million to projects identified through the consolidation activities program. The funds expended by GSA for projects within the Consolidation Activities Program on average have payback periods of less than 5 years compared to the cost of leasing space from the private sector.

A key component of optimizing the Federal footprint is repurposing and disposing of underutilized assets. GSA disposes of underperforming Federal assets by working with agencies to develop and prioritize effective and efficient real property repositioning strategies. GSA aggressively identifies and disposes of underperforming assets through expanded sales and outleases, auctions, and transfers to local entities. In the last 5 years, GSA awarded 737 disposal projects on behalf of all Federal agencies totaling over \$387 million in proceeds. Last year alone, GSA awarded 167 disposal projects totaling \$99 million in proceeds.

The OIG states that disposing of Federal real property is problematic due to the length of time for the disposal process and the associated costs. The issue is not the cycle time of the disposal process itself; GSA continuously meets its disposal cycle time measures. In FY 2019, GSA was on time for public sale disposals 99 percent of the time and 98 percent on time for non-competitive sales and donations. Once reported excess, properties move quickly through the disposal process. However, getting properties in the pipeline for disposal typically takes longer. Properties can linger for years in vacant or partially vacant status while agencies try to obtain funding to improve or backfill the space. When there are funding constraints, alternative asset strategies have to be implemented including property disposal. In these cases, the entire life-cycle of the asset repositioning strategy can be a lengthy process.

GSA is addressing this challenge by assisting the Public Buildings Reform Board to implement the Federal Assets Sales and Transfer Act (FASTA). GSA has been working closely with customer agencies to review Federal properties to determine which assets are candidates for disposal under FASTA. GSA is helping agencies analyze their real estate portfolio and providing options for improving asset utilization and reducing costs.

### Lease Cost Avoidance

GSA is dedicated to saving money and providing the best value to customers and the American taxpayer. An examination of GSA's real estate portfolio shows that targeting specific lease agreements offered the greatest potential savings. Sixty percent of GSA leases will expire between FY 2019 and FY 2023. This creates a unique opportunity for GSA to restructure its lease portfolio. By targeting the highest cost leases, GSA estimates it can save billions over the life of new lease agreements from FY 2018 through FY 2023. Over the past 2 years, GSA avoided over \$1 billion in future lease costs through the Lease Cost Avoidance Plan.

GSA is achieving savings by:

1. Targeting leases with high utilization rates to reduce space;
2. Negotiating longer firm-term leases;
3. Negotiating leases below market rates;
4. Maximizing Automated Advanced Acquisition Program (AAP) awards to replace low-cost expiring leases;
5. Increasing broker task orders for higher cost expiring leases; and
6. Backfilling vacant Federally owned space.

GSA is driving these efforts through the Lease Cost Avoidance Plan, which has been implemented throughout all 11 regions and is increasing consistency throughout the leasing process.

These efforts have proven successful. In FY 2019, 61 percent of expired lease dollars were replaced and 27 percent have been extended. Forty-six percent of leases awarded in FY 2019 have a long firm-term (10 years or greater), which is a 14 percent improvement from last year (excludes FY 2020 Census leases). GSA also demonstrated improvement by procuring 76 percent of lease dollars through AAP or broker task order, an 8 percent improvement from last year. Through these efforts, GSA reduced its leased inventory in FY 2019 (excludes FY 2020 Census leases) by almost 1.7 million RSF, increased the average lease firm term from 6.4 to 7.6 years, and negotiated rates an average of 17 percent below market.

In order to achieve its avoidance goal, GSA realigned internal resources to critical positions and is investing additional resources to increase productivity and accelerate the lease replacement rate. GSA has been granted direct-hire authority to hire staff and is bringing contractors on board to assist with the additional work. While GSA will incur additional costs for these resources in the short-term, as cited by OIG, GSA will reap bigger savings long-term with the cost avoidance generated over the life of the leases.

GSA made tremendous strides in advancing the leasing program by negotiating leases 17 percent below the market mid-point for comparable lease terms in FY 2019. Furthermore, GSA reduced improper payments by focusing responsibility for lease contract administration in three zonal centers of expertise, with over \$19 million recovered in FY 2019. Lease holdovers continue to decrease and have reduced by 50 percent since FY 2014.

GSA will continue to implement the improvements it is making in the leasing program, focusing on standardization, consistency, and lease financial performance to reduce space and save money. The Lease Cost Avoidance initiative creates an opportunity to optimize the Federal footprint, save taxpayer dollars, and fulfill GSA's mission.

## Productivity

The Productivity initiative will improve the efficiency with which GSA delivers programs by leveraging talent and improving processes and tools. This effort will plan for the workforce of the future, shift human capital, align the budget to mission needs, and ensure that GSA is focusing on high-value work. GSA is evaluating resource needs across the organization to ensure that staff are in place and equipped to make the plan successful.

GSA is investing in robotic process automation, system improvements, and process standardization to create consistent and nationally standard business processes that will generate efficiencies and improve performance. Driving consistency has been a concern highlighted by the OIG that GSA is addressing through this initiative.

Another area GSA is targeting for improvement through this initiative is in its Operations and Maintenance (O&M) program. GSA is completing a robust analysis of its national recurring contract program and highlighting ways GSA can improve acquisition and business processes to yield the highest quality vendors. The OIG cites that reduced levels of O&M funding over time can lead to increased costs and increase repair needs. GSA allocates its funding to the most deserving projects through a vigorous decision process, balancing competing needs and priorities. GSA is committed to executing deserving, cost-effective investments into its assets that will reduce long-term costs and the growing backlog of critical repairs and renovations that are necessary in Federal facilities.

In FY 2019, GSA made other improvements in facilities management, including its energy and environmental programs. GSA has strengthened guidance and controls for Energy Savings Performance Contracts (ESPC) and Utility Energy Service Contracts. These contracts are designed to provide GSA the ability to invest in buildings that generate energy savings and reduce costs, with minimal upfront cost. To centralize oversight and provide support to the regions in developing, awarding and executing these contracts, GSA established a national Program Management Office (PMO). This office develops procedures and policies to ensure procurement consistency and Government benefit. These efforts will help drive consistency in how GSA's evaluates and manages these contracts. The PMO has a strategic initiative for FY 2020 to look for ways to improve the measurement and verification process to ensure the savings in ESPCs are sustainable over time.

GSA is developing new guidance and procedures to drive a nationally consistent framework for identifying, reporting, and addressing environmental risks across the GSA building inventory. Last year, GSA enhanced systems to capture and track environmental health and safety issues, as well as corrective action steps. To ensure compliance, GSA regularly updates its policies to reflect regulatory changes and trains its workforce accordingly.

## CHALLENGE # 5: Managing GSA's Role Under the Comprehensive Plan for Reorganizing the Executive Branch

### Agency Action Completed or Planned

GSA agrees that merging the business of two agencies is a demanding endeavor, presenting a number of legal, financial, operational, and programmatic challenges. GSA is committed to partnering with OPM and OMB and working with the Congress and other stakeholders to arrive at a solution that is well-thought-out, in accordance with existing authorities, and appropriately resourced. To date, we have made progress on a number of things, including:

1. Conducting a comprehensive legal analysis to determine the authorities to transfer certain functions;
2. Partnering with OPM through interagency agreements to analyze and support OPM's IT infrastructure and provide assisted acquisition services for several OPM acquisitions;
3. Working with OPM to support the facility operations and management acquisition for the Federal Executive Institute (FEI);
4. Returning management of OPM's Theodore Roosevelt building to GSA; and
5. Drafting legislation that, if enacted, would transfer all functions performed by OPM to GSA with the exception of certain policy functions.

GSA and OPM also partnered to develop an implementation plan for the HR Quality Services Management Office in accordance with OMB Memo M-19-16. In addition, through subsequent delegated authorities, GSA will begin providing administrative support to the Chief Human Capital Officers Council.

GSA is committed to engaging with OPM and OMB to conduct workforce and financial analysis on impacts to GSA for any functions proposed to be assumed by GSA.

## **CHALLENGE # 6: Prioritizing Agency Cybersecurity**

### **Agency Actions Completed or Planned**

GSA IT, in partnership with PBS, continues to make improvements in the overall security of building systems. In response to earlier audit findings, GSA took steps to maintain a full and complete inventory of building management systems, proactively identifying and modernizing at-risk building systems, targeting high-risk buildings and at-risk technologies, making risk-informed investments in the hygiene of the network infrastructure, implementing personnel and technology process improvements, conducting vendor outreach and management, and providing relevant training to the workforce.

To protect and secure sensitive building information (Federal tenant data, floorplans, leasing data, and market surveys with competitive rental rates), PBS IT and GSA IT Security:

- Implemented more strenuous guidelines for contractor requirements in the National Broker Contract.
- Required GSA Leasing Support Services (GLS) brokers to use Government-provided systems and email to store or process all information pertaining to leases.
- Required contractors to use GSA-provided IT systems and email (currently virtual desktops and GSA-provided Google Accounts) to store, process, or transmit GSA information for all work performed under this contract.

In FY 2018, GSA IT and the PBS Office of Facilities Management implemented a Risk Management Framework (RMF) scorecard to identify and prioritize at-risk building systems. In FY 2018, GSA assessed 30 buildings and applied the RMF to focus on 17 prioritized buildings. Key activities included:

- Categorizing systems and data by that system based on the practical impact of the system;
- Selecting and tailoring baseline security controls for the system based on potential security impacts;
- Implementing security controls;



- Documenting how the controls are deployed within the system and operating environment;
- Periodically assessing the implemented security controls to determine how well the controls are implemented and operating;
- Authorizing the use of the systems based upon a risk-management determination of the actual risk presented by the system; and
- Monitoring and assessing selected security controls in the system including:
  - Assessing security control effectiveness
  - Documenting changes to the system or operating environment
  - Conducting security impact analyses of any associated changes
  - Reporting the security posture of the system to appropriate stakeholders.

In FY 2019, GSA developed a funding and procurement strategy to address operational risks across the building systems portfolio, which included identifying and replacing End of Life (EOL) technology. Eighty switches were replaced and 230 building systems workstations and 180 servers were updated. Additionally, GSA-IT audited and provided training for the identification and removal of unsecured network connections to ensure appropriate security controls are in place. GSA also mitigated other potential vulnerabilities through active and continuous diagnostics and monitoring. GSA IT continues to manage IP-enabled building systems devices. Additionally, in FY 2019, 21 new solutions were assessed in the GSA IT's Security lab at GSA's headquarters.

Vendor and employee outreach efforts continued in FY 2019 to ensure products adhere to Federal IT and cybersecurity requirements and that employees understand and respond effectively to building related security vulnerabilities. In addition to workforce training and the regular meetings GSA IT and PBS held with industry to ensure products meet Federal and GSA security policies and processes, GSA IT introduced additional rigor into contractor requirements in the National Broker Contract. These new guidelines now require GLS Brokers and contractors to use Government-provided systems and email to store or process any and all information pertaining to leases, to store, process, or transmit information for all work performed.

In FY 2020, GSA IT will continue to partner with PBS to ensure that building system stakeholders are aware of security requirements and the importance of securing GSA facilities against risks and incidents. GSA provided guidance and language about cybersecurity requirements to include in leasing agreements that are in line with existing cybersecurity and IT policy. Pending availability of funds, GSA will tackle additional EOL or at-risk building systems. Additionally, GSA-IT is planning on modernizing and re-architecting the Building Systems Network (BSN). FY 2020's focus will be on the re-design of BSN, followed by a rollout in the outyears. Lastly, GSA will conduct Incident Response as well as a number of Building Recovery (BR) exercises throughout the year.

### **Controlling Access to Sensitive Information in GSA Systems**

GSA maintains a formal program for information security management focused on Federal Information Security Modernization Act (FISMA) requirements and protecting GSA IT resources. This program is focused on processes necessary to mitigate new threats and anticipate risks posed by new technologies and follows the National Institute of Standards and Technology's cybersecurity framework for making risk-based

determinations. Integration of cybersecurity with enterprise risk management has been improved by bringing the discussion of cyber risks to the Investment Review Board, a strategically focused board that centers on investment strategies and priorities for GSA, ensuring an enterprise approach to prioritizing investment decisions that mitigate cyber risks.

GSA meets all FISMA Cross Agency Priority Goals for cybersecurity and received a “Managing Risk” rating across all capability domains and overall for the Risk Management Assessment Scorecard. GSA also received an overall “Effective” rating from the OIG for the GSA IT security program in the FY 2019 FISMA independent review.

GSA IT implemented robust cyber security capabilities focused on data protection, secure access to sensitive information, and, monitoring and response. In FY 2020, GSA IT will continue to control access to sensitive information by:

- Continuing to participate in the Department of Homeland Security Continuous Diagnostics and Mitigation program. As part of the program, GSA will implement solutions and capabilities supporting the privilege management across the enterprise for all accounts that provide elevated privileges by the end of FY 2020.
- Ensuring that the enterprise infrastructure support contract has Service Level Agreements that meet critical cybersecurity requirements and metrics of the Agency and the Federal Government.
- Continuing to provide ongoing training to the cybersecurity stakeholders responsible for the implementation of key cyber security controls within GSA information systems. These topics shall be reviewed continuously based on the emerging threats to GSA information systems.
- Ensuring that contracting officers, contracting officer’s representatives (COR), and program managers validate that the appropriate cybersecurity language is included in all GSA IT contracts as outlined in GSA policy and procedures.
- Performing an analysis and developing a plan to implement data at rest encryption for all GSA information systems, including contractor-owned and -operated, that store, process, and transmit personally identifiable information and financial information.
- Securing GSA accounts and data in the cloud through implementation of GSA’s Cloud Access Security Broker solution.
- Securing GSA users and device end-points anywhere in the world from phishing, malware, and ransomware attacks through integration with an enterprise cloud security platform that provides visibility and blocking of malicious activity earlier in the cyber kill chain through DNS filtering.
- Analyzing and visualizing GSA’s security data in the enterprise logging platform to provide better insight into risks, threats, and operations.

Further, in FY 2020, GSA IT will implement the following mitigations and recommendations to address the findings and challenges from the FY 2018 annual FISMA review of GSA’s IT security program and any new FY 2019 FISMA audit recommendations:

- Perform review of system security plans (SSP) to ensure SSPs are documented in accordance with GSA requirements.

- Implement a standard, formal contractor deliverable review and acceptance process by the COR, information systems security officer, or information systems security manager used to monitor contractor or third-party compliance with GSA security requirements. GSA IT will provide training to relevant stakeholders on this new governance process to ensure consistent implementation.
- Implement checklists within GSA's Governance, Risk, and Compliance tool to aid with the tracking of periodic security deliverable submissions and related review of vulnerability and compliance scans. This will be further enhanced with the implementation of a centralized dashboard to provide cyber hygiene data across GSA FISMA systems with related system and agency risk scores.
- Review and enhance enterprise account management and recertification processes ensuring accounts are recertified annually and removed in a timely manner.

## CHALLENGE # 7: Securing the System for Award Management

### Agency Actions Completed or Planned

GSA closely manages security risks to our IT systems including the System for Award Management (SAM). In FY 2018, GSA implemented multiple new controls to deter fraudulent activity in SAM, including:

1. Implementing multi-factor authentication to log into SAM.gov. This requires a SAM user to be double-validated by a username and password and by entering a unique code sent to an electronic device associated with his or her user account during the login process.
2. Restricting access to the expired registration data migrated into SAM (in 2012) from the Central Contractor Registration system, which has never been activated in the system. This deters bad actors from using inactive registration information to impersonate a legitimate business.
3. Notifying the entity and the parent entity when the entity changes bank information in the registration. This reduces the risk of undetected financial information changes and misdirected payments. Parent approvals are also required if a child entity tries to register in SAM.
4. Partially masking sensitive data, for authenticated display to entities. This enhances the existing control (which prevents public display of sensitive data) by not displaying full sensitive fields even to users with roles at the entity, reducing the risk of exposing data should a bad actor gain access to a registration. SAM only displays the last four characters of the Marketing Partner Identification Number, Taxpayer Identification Number, ABA routing number, and bank account number for users with approved roles.

In FY 2019, GSA tested the controls implemented in FY 2018 and built on them. GSA commissioned a comprehensive third-party fraud and risk assessment of both legacy SAM and the [beta.SAM.gov](#) modernization effort. The assessment sought to identify existing web application vulnerabilities and business process flaws. Only minor issues were identified within the SAM application itself and these were addressed following GSA IT security policy. Several inherited risks were identified from an external interface. These were shared with the provider and addressed in a timely manner. GSA considers the use of the third-party assessment team essential to vigilant protection of data.

GSA's Integrated Award Environment (IAE) Program Office will introduce a new unique Entity ID, generated in SAM.gov, as the official identifier for doing business with the Government. The SAM-generated unique entity identifier will replace Data Universal Number System® numbers, which SAM uses to identify unique

entities and to control entity relationships and user permissions. A commercial source will provide validation of entity uniqueness and core entity data. The SAM-generated identifier will be assigned to the validated entity, allowing the Government, in the future, to competitively contract for entity validation services while avoiding the use of a proprietary identifier. The SAM-generated Unique Entity ID standard was developed by an interagency working group and published in the Federal Register on July 10, 2019. IAE began the development efforts to make this system change and are continuing to treat security as foundational, ensuring compliance with relevant GSA IT Security policies.

GSA and the SAM.gov program office take seriously the complaints of third parties that allegedly defraud SAM registrants. In order to address this issue, GSA has an active customer outreach campaign and provides no-cost assistance to any entities seeking to register or understand the registration process.

## **CHALLENGE # 8: Managing Human Capital Efficiently to Accomplish GSA's Mission**

### **Agency Actions Completed or Planned**

GSA agrees that management of human capital is critical to our continued success. As part of its enterprise risk management program, GSA surveyed its senior executives and GS-15 employees to assess categories of risk that could affect the agency's ability to achieve its mission in FY 2020, and human capital was confirmed as a top agency risk. To actively mitigate the challenges associated with managing the workforce, GSA is employing several strategies in this effort; including a renewed emphasis on workforce planning that is tailored to the specific needs of each organization.

In FY 2019, GSA continued implementation of its enterprise-wide workforce planning cycle. GSA conducted workforce assessments of each Service and Staff Office (SSO) to evaluate their progress in implementing the strategies outlined in their FY 2018 workforce action plans. In FY 2020, GSA is including workforce planning as a performance plan requirement for all Heads of SSOs. GSA will assess each organization's workforce planning maturity level using a maturity model and provide supporting tools and resources to help each organization progress to the next level.

In FY 2019, GSA established an enterprise-wide competency management program to build and manage competencies. GSA completed competency models for four job series and categories (2210, 1170, "Leadership," and "General"). GSA will continue to identify and build competency models for other critical job and role categories in FY 2020. As new competency models are developed, GSA will integrate them into human capital applications such as training plans and position descriptions.

GSA launched an enterprise succession management program in FY 2019 to identify key leadership positions and successors across SSOs. Succession management reduces risks associated with GSA's high retirement eligibility by indicating where gaps exist in skills and training. In FY 2020, OHRM is building on succession management work initiated in FY 2019 by identifying additional critical positions and roles, developing succession and retention strategies, and addressing knowledge transfer.

In support of effective hiring, OHRM implemented standard tools and processes to improve the speed and quality of hiring, resulting in a savings of 15 to 30 days from the hiring timeline. GSA also reestablished the Emerging Leaders Program in FY 2019, designed to provide rotational opportunities and professional development training to entry-level employees and to create a talent pipeline for the agency. GSA has participants in the Central Office program and throughout the regions. Resources to continue the program through at least FY 2022 were secured to encourage continuity. Options are being explored in FY 2020 to consolidate the program enterprise-wide to provide consistency in training and engagement activities.

## **CHALLENGE # 9: Safeguarding Federal Facilities and Providing a Secure Work Environment**

### **Agency Actions Completed or Planned**

GSA provides safe, healthy, and secure workplaces for Federal employees and visitors. In partnership with the Federal Protective Service (FPS) at the Department of Homeland Security (DHS), GSA is continuously working to evaluate and improve its programs related to safety and security in Federal workplaces. Along with DHS, GSA serves as co-lead for the Government Facilities Sector of the National Infrastructure Protection Plan, helping partner agencies by sharing expertise and best practices for the management of Government facilities.

### **Background Investigations and Tracking Contractors' Clearances**

In response to 2016 OIG audit findings, GSA established the ability to determine if departed contractors' GSA access cards were properly collected and destroyed within the GSA Credential and Identity Management System (GCIMS). Reports listing inactive personnel without a recorded GSA access card status were provided to Heads of Services and Staff Offices for updates.

In September 2019, the Office of Mission Assurance released the GCIMS Contract Dashboard. The dashboard replaces the previous process and allows a requesting official (RO) to view all contractors and contractor statuses assigned to them in one location. The tool displays inactive contractors and their GSA access card status, enabling ROs to easily identify outstanding cards. The data provided allows ROs to reach out to vendors to retrieve outstanding GSA access cards.

With the transition of contractor background investigations from FPS to the Office of Personnel Management, GSA obtained increased visibility into the adjudication process, enabling the agency to accurately capture all contractor background investigation statuses in GCIMS.

### **Unauthorized Access**

Over the last 2 years, GSA discontinued the use of facility access cards and updated the Physical Access Control Systems (PACS) in approximately 70 facilities across the Nation. GSA continues to invest in PACS, updating legacy systems to meet the requirements of the Office of Management and Budget and the Interagency Security Committee. At the present time, all 11 GSA Regions are moving forward with a phased approach for implementation of the GSA e-PACS. Contingent on funding, this effort should be completed in FY 2022. The access cards GSA currently produces for the Executive Branch are all HSPD-12 compliant.

### **Facility Security Assessments**

Since the signing of a memorandum of agreement between FPS and GSA on September 27, 2018, GSA now has access to facility security assessments and countermeasure recommendations using the FPS Modify Infrastructure Survey Tool. Having access to the assessments provides GSA with the opportunity to review the assessments, research facility issues when they arise, and account for the security in GSA facilities when necessary.



## SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES (UNAUDITED)

**Table 1 Summary of Financial Statement Audit**

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
	0	0	0	0	0

**Table 2 Summary of Management Assurance**

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Compliance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems comply to financial management system requirements					
Non-Compliance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
	0	0	0	0	0	0
Total Non-compliances	0	0	0	0	0	0
Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of compliance noted			No lack of compliance noted		
2. Applicable Federal Accounting Standards	No lack of compliance noted			No lack of compliance noted		
3. USSGL at Transaction Level	No lack of compliance noted			No lack of compliance noted		

## PAYMENT INTEGRITY (UNAUDITED)

### Background

The Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) provides guidance on monitoring and reporting improper payments. Improper payments are payments made by the Government to the wrong person, in the wrong amount (either an underpayment or overpayment), for the wrong reason, or where documentation is not sufficient enough to discern whether a payment was proper.

IPERIA requires agencies to review their programs annually to identify programs susceptible to significant improper payments, and to report information on improper payments to the President and Congress. OMB Circular A-136 requires agencies to report information on payment integrity, disclosing proper and improper payments. For more detailed information on improper payments in this and previous fiscal years, visit <https://paymentaccuracy.gov/>. This site includes frequently asked questions relating to improper payments, annual improper payment datasets, and program scorecards.

OMB defines significant improper payments as the total annual improper payments in a program exceeding:

- 1.5 percent of the program's expenses and \$10 million of improper program payments, or
- \$100 million in improper program payments, regardless of percentage.

OMB guidance allows agencies to request relief from improper payment reporting when agency programs no longer meet the criteria to qualify as high-risk. GSA requested and received relief from improper payment reporting for the Rental of Space Program for FY 2019 from OMB.

Based on this reporting relief, GSA is not required to report on the improper payment reduction outlook and improper payment root cause categories for FY 2019.

In accordance with OMB Circular A-123, Appendix C, GSA is required to complete a risk assessment on the Rental of Space program within the next 3 years. An assessment will be conducted in FY 2021.

In FY 2019, GSA complied with IPERIA reporting requirements. This compliance included reporting on the payment recapture audit program. This program is specifically designed to identify overpayments and recapture those funds. GSA also reviewed all new programs greater than \$1 million to determine whether payment recapture audits were necessary. GSA found no overpayments in these programs.

### Payment Recapture Audit Program

The Recovery Audit Act requires agencies that award more than \$500 million annually in contracts to establish programs to recover overpayments to contractors. The purpose of the payment recapture audit is to identify and possibly recover overpayments. Payment recapture audits are conducted only when it is determined to be cost effective. For FY 2019, GSA had one program, Rental of Space, where a payment recapture audit was required.

GSA reviews the Rental of Space program annually to detect and recover overpayments or other errors, and identifies opportunities for process improvement. This review includes an analysis of lease contracts, lease agreements, and lease digest actions, as well as the development of a detailed monthly rental schedule from

the beginning of a lease to its most recent payment. The results are compared to actual payments by month, to determine if discrepancies exist. Discrepancies are quantified and identified as to nature and origin.

Rent overpayments, rent credits, and real estate tax credits are sources of overpayments. Root causes for rent-related overpayments include calculation errors, administrative errors, system errors, failure to take the proper rent credits, failure to charge rent on time or at all, and failure to timely terminate the lease. In addition, overpayments for real estate tax credits are caused by failure of the lessor to comply with the lease contract and submit tax bills or refunds, the complexity in determining the base year tax amount, and improperly determining which line items of the tax bill GSA is required to pay.

To address rent-related overpayments, GSA has taken corrective action by providing Lease Payment Audit refresher training. In addition to training, GSA implemented a change from regional to zonal administration of lease payments for taxes and other rent adjustments. Changes include proactive review of each lease annually for compliance with tax clauses and documentation, and systemic corrective action through IT enhancements to provide national consistency and improve accuracy and timeliness.

GSA establishes claims in accordance with the Debt Collection Improvement Act of 1996 and GSA's payment recapture audit identifies claims related to the Rental of Space program.

Table 1 identifies the Rental of Space program with overpayments obtained through payment recapture audits and other programs with overpayments recaptured outside of GSA's payment recapture audit program.

**Table 1 Overpayment Payment Recaptures with and without Recapture Audit Programs** (Dollars in Millions)

		Overpayments Recaptured through Payment Recapture Audits				Overpayments Recaptured outside of Payment Recapture Audits <sup>3</sup>		
Does this include funds recaptured from a High-Priority Program?	Program or Activity	Amount Identified in FY 2019 <sup>1</sup>	Amount Recovered in FY 2019 <sup>2</sup>	Recapture Rate in FY 2019 <sup>2</sup>	FY 2019 Recapture Rate Target <sup>3</sup>	Amount Identified in FY 2019	Amount Recovered in FY 2019 <sup>2</sup>	Recapture Rate in FY 2019 <sup>2</sup>
N	Rental of Space	\$ 18.92	\$ 16.87	89%	80%	\$ 40.638	\$ 40.908	101%
N	Other <sup>4</sup>					\$ 10.245	\$ 9.209	90%
	<b>TOTAL</b>	<b>\$ 18.92</b>	<b>\$ 16.87</b>	<b>89%</b>		<b>\$ 50.883</b>	<b>\$ 50.117</b>	<b>98%</b>

1 Our vendor, in addition to performing Payment Recapture Audit on Rental of Space, performed duplicate/erroneous payment data reviews across GSA programs as a whole. The amount identified from these reviews is \$4,020. For simplicity GSA combined this amount with the overall Rental of Space identified amount.

2 Includes both recaptures of overpayments during FY 2019 and overpayments that were reported prior to FY 2019.

3 The amount collected and recapture rate are impacted by the amount identified, as well as successful recapture efforts. A claim can take between 4 and 6 months to fully process after it is submitted. GSA is setting a target rate of 80 percent for FY 2020.

4 Over 97 percent of the \$10.245 million programs under Other relates to the following five program activities: Acquisition Services Fund - Flow Through, Building Operations, Repairs and Alterations, Federal Citizen Services Fund, and Construction and Acquisition of Facilities.

The Payment Recapture Audit for the Rental of Space program is funded through a revolving fund. Recaptured funds are credited back to their original purpose. Table 2 shows the disposition of funds recaptured for the Rental of Space program.

**Table 2 Disposition of Funds Recaptured Through Payment Recapture Audit Programs** (Dollars in Millions)

Program or Activity	Amount Recaptured	Agency Expenses to Administer the Program	Payment Recapture Audit Fees <sup>1</sup>	Financial Management Improvement Activities	Original Purpose	Office of Inspector General	Returned to Treasury	Other
Rental of Space	\$16.87	NA	\$3.07	NA	\$13.80	NA	NA	NA
<b>TOTAL</b>	<b>\$16.87</b>	<b>NA</b>	<b>\$3.07</b>	<b>NA</b>	<b>\$13.80</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>

<sup>1</sup> Fees based on invoices submitted by Payment Recapture Audit firm in FY 2019.

The aging of an overpayment begins on the date when the GSA contracting officer or representative approves the accompanying claim form, rather than the date the overpayment is established in the accounting system. Aged debt is referred to the Treasury Offset Program for further collection efforts. Uncollectible accounts are written off in accordance with the Accounts Receivable Policy Handbook, CFO P 4253.1, Chapter 4, Servicing Non-Federal Accounts Receivable.

The outstanding overpayments identified in the payment recapture audit in FY 2019 are in Table 3.

**Table 3 Aging of Outstanding Overpayments Identified in the Payment Recapture Audit Programs<sup>1</sup>** (Dollars in Millions)

Program or Activity	Amount Outstanding (0 – 6 months)	Amount Outstanding (6 months to 1 year)	Amount Outstanding (over 1 year)	Amount determined to not be collectable <sup>2</sup>
Rental of Space <sup>3</sup>	\$ 4.78	\$.07	\$1.12	\$3.97
<b>TOTAL</b>	<b>\$4.78</b>	<b>\$.07</b>	<b>\$1.12</b>	<b>\$3.97</b>

<sup>1</sup> If GSA reported aging of outstanding overpayments based on the date a receivable claim is established in the accounting system, the aging amounts would be as follows:

Amount Outstanding (0-6 months): \$2.64 million  
 Amount Outstanding (6 months to 1 year): \$.07 million  
 Amount Outstanding (over 1 year): \$1.10 million  
 Amount Determined not to be Collectible: \$3.97 million

<sup>2</sup> Uncollectible accounts are written off based on the Accounts Receivable Policy Handbook, CFO P 4253.1B, as amended, Chapter 4, Servicing Non-Federal Accounts Receivable. GSA writes off claims with a remaining principal balance under \$100 at 120 days old; claims above \$100 are written off after they have been referred to Treasury for collection for 60 days. Amount determined to not be collectible is cumulative, based on OMB Town Hall Guidance, and includes all current and prior amounts determined to not be collectible dating back to October 2010.

<sup>3</sup> The percent breakdown of the total overpayments identified from recapture audits but not recaptured is as follows:

Amount Outstanding (0-6 months): 48.07 percent  
 Amount Outstanding (6 months to 1 year): 0.66 percent  
 Amount Outstanding (over 1 year): 11.27 percent  
 Amount Determined not to be Collectible: 40.00 percent

Note: The percentages are based on full numbers and not the rounded outstanding dollar amounts listed hereon.



## Payment Recapture Cost-effective Analysis for New Programs over \$1 million dollars

Each year, GSA identifies new programs with expenditures greater than \$1 million in order to identify risk for improper payments. In FY 2019, there were three new programs identified:

**The Common Acquisition Platform program.** This program aims to provide acquisition professionals with a more integrated, more comprehensive suite of knowledge and data, as well as a more robust toolset of systems to support enhanced execution;

**The Civilian Board of Contract Appeals (CBCA) direct program activity.** CBCA was established in 2007 to hear and decide contract disputes between Government contractors and civilian executive agencies under the provisions of the Contract Disputes Act; and

**The Disaster Emergency Funds program,** which represents the Public Buildings Service's supplemental disaster relief funds for Hurricanes Harvey, Irma, and Maria.

GSA's monitoring reports show no overpayments for any of these programs. Based on the FY 2018 cost-effective analysis approach, a payment recapture audit is not required in FY 2019 as monitoring reports show no overpayments in any of the programs.

## Do Not Pay Initiative

Do Not Pay (DNP) is a Treasury service that allows agencies to check against multiple databases to verify a recipient's eligibility for payment.

When enrolling in DNP, GSA elected to compare its vendors to the Social Security Administration's Death Master File (DMF) and the General Services Administration's Excluded Parties List in the System for Award Management (SAM). To detect and prevent improper payments, the GSA list of vendors is compared to the SAM exclusion listing and the DMF once a month. Debarred vendors are annotated and deactivated in the GSA vendor master database file.

Additionally, GSA uses online single search DNP functionality to check for any matches prior to establishing a new vendor record. GSA also receives results for payments processed on a daily basis from DNP. These results reflect matches to the SAM Exclusion Records and DMF as a result of post-payment matching of GSA payments schedules to these databases.

The payment matches and exclusion information are reviewed in the DNP portal. The SAM Data Universal Numbering System registrations interface directly into GSA's accounting vendor database ensuring vendors with debarments do not receive improper payments.

Once reviewed, the payments are adjudicated as proper or improper. GSA's items to adjudicate monthly in DNP are very low. GSA's reduction in improper payments is mostly attributable to GSA's PBS National Office of Leasing and OCFO's collaboration and coordination.

## FRAUD REDUCTION REPORT (UNAUDITED)

In addition to being costly to taxpayers, fraud poses a serious risk to the execution of Federal programs and the ability of those programs to serve the public. To address the ever-increasing risk of fraud, Congress passed the Fraud Reduction and Data Analytics Act of 2015 (FRDAA). This act requires:

- The implementation of control activities designed to prevent, detect, and respond to fraud at GSA.
- Annual reporting on GSA's progress in implementing financial and administrative controls to identify and assess fraud risks.
- The establishment of a Government-wide fraud working group.

Guidance, implementing instructions, and the internal control framework for FRDAA are provided in:

- Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, July 2016
- GAO-14-704G, Standards for Internal Control in the Federal Government, September 2014, commonly known as the Green Book

### Fraud Reduction Activities at GSA

As required, OMB established the Fraud Working Group, which aims to improve the sharing and development of data analytics and financial and administrative controls. As part of this group, GSA and other Federal agencies contribute best practices and techniques for detecting, preventing, and responding to fraud.

In implementing these best practices and techniques, GSA leverages Government-wide tools to strengthen controls that reduce the risk of fraud against the Federal Government. For example, Do Not Pay (DNP) is an initiative mandated by the Improper Payments Elimination and Recovery Improvement Act of 2012. In order to eliminate erroneous payments, GSA screens potential vendors before awarding a contract or making a payment. Further, GSA uses the DNP database in the acquisition process where potential vendors are evaluated and cross-checked with GSA's System for Award Management (SAM) and the Internal Revenue Service's Taxpayer Identification Number (TIN) Match Program.

GSA also works closely with the Office of Inspector General (OIG) to implement recommendations identified during audits and investigations. The OIG analyzes potentially fraudulent or otherwise criminal activities. It conducts nationwide criminal, civil, and administrative investigations of illegal or improper activities involving GSA programs, operations, and personnel. GSA reviews OIG reports and Semiannual Reports to Congress (SAR) to help identify areas where controls could be improved.

GSA employees are exposed to an abundance of information and processes for reporting fraud, and should be well aware of what constitutes potentially fraudulent activity and how to report it. GSA requires its employees to complete annual training courses that include ethics, insider threat and awareness, cybersecurity and privacy, the No Fear Act, and accountability for personal property. All have training modules that describe what constitutes fraudulent activity, what types of behavior are considered acceptable and unacceptable, and how and when potential fraudulent activity should be reported. In addition, prohibited personnel practices and

whistleblower posters are prominently displayed in GSA buildings. Additional information is also available to employees on the GSA portal, InSite.

GSA revamped methods to evaluate compliance with the Government Accountability Office's (GAO) 5 components and 17 principles of internal control, including principle 8, the fraud risk principle. The revised Internal Control and Evaluation Tool was completed by 14 Heads of Services and Staff Offices. Fraud risk is discussed by the GSA senior assessment team, the Management Control and Oversight Council (MCOC), to ensure it is appropriately addressed in the Administrator's Annual Statement of Assurance.

In FY 2019, the MCOC meetings included discussions on the status of corrective actions for outstanding audit findings from the annual external financial statement audit and the annual internal control plan. At the conclusion of the fiscal year, MCOC members completed a survey to identify internal control and fraud issues not previously reported with no areas of concern identified.

GSA addressed fraud at the program level through annual internal program reviews, which included an assessment of risk. GSA has a total of 360 internal control reviews, which it evaluates over a 5-year cycle. In FY 2019, GSA performed all 64 of its planned internal control reviews.

GSA Services and Staff Offices play a vital role in identifying and preventing fraud. Prior to the Fraud Reduction Act, GSA had already implemented measures to reduce fraud and has provided an overview of the measures taken by each office below:

**Office of the Chief Information Security Officer** conducted a fraud and risk assessment of the SAM database ([SAM.gov](https://sam.gov)) in the third quarter of FY 2019 to identify existing web application vulnerabilities and business process flaws in the SAM application that could be exploited by an adversary to commit fraud. The assessment was primarily focused on the validation of business processes within SAM and its third-party dependencies. Penetration tests and passive (non-intrusive) testing were also conducted against in-scope assets against externally accessible third-party applications.

**Office of Public Buildings Information Technology Services** assisted in adding more robust requirements for contractors in the GSA Leasing Support Services (GLS) contract:

- The GLS contract was reviewed to identify options to protect GSA data. The ultimate decision was to have all GLS contractors use GSA Information Technology (IT) systems and not allow them to stand up their own systems to support. This will ensure that IT systems used to store Government data meet GSA, Federal Information Security Management Act of 2002, and National Institute of Standards and Technology requirements.
- Contractors are not permitted to use non-GSA services, systems, or email unless specific exceptions have been granted.
- The GLS Plus Virtual Preproposal Conference was held in July for prospective bidders. This conference provided additional details on the main contract requirements, the use of GSA IT systems, required background clearance process, and IT training.

Bringing the contractors in-house on GSA systems ensures greater process and implementation control.

A third-party identity management solution has been integrated into Federal Acquisition Service (FAS) business systems GSA Advantage!® and GSA eBuy!® to implement multi-factor authentication. Users of both sites are now required to provide a time-based, one-time password at the time of login, in addition to a user ID

and password. Among the many features included are:

- Government purchaser validation
- User validation of all requests for quotes (RFQ) created in eBuy!®
- Application-level auditing to:
  - prevent fraudulent RFQs and fraudulent purchases,
  - provide automatic reviews of credit card usage patterns,
  - run automated scripts for new user registration validations every 2 hours, and
  - run automated scripts to detect and block search engine robots, or spiders, from accessing GSA Advantage!® data.

**Office of Enterprise Infrastructure Operations' fraud reduction activities include:**

- **Computers For Learning (CFL):** GSA IT has been reviewing the functions that local support does internally as well as the functions of other entities in GSA that involve IT. As customers of the FAS' personal property disposal program GSAXcess, GSA IT transfers surplus computers to educational institutions via the CFL program. To reduce the possibility of fraud, GSA IT has started revalidating the eligibility and authenticity of schools prior to each transfer, including for repeat customers. In the past, GSA only performed a validation prior to the first transfer. Validations also now include specific source checks based on enhanced guidance received from the Office of Administrative Services (OAS).
- **Identity and Access Management:** GSA IT is transitioning more and more applications to the SecureAuth single sign-on solution, which has integrated two-factor authentication for identity and access management services. In addition, GSA IT is adding various application-specific access requests in the enterprise IT service management platform ServiceNow that require documented approvals from application owners prior to granting access to the specific application.
- **Software Asset Management:** GSA IT Infrastructure Operations Division has incorporated increasingly mature software asset management capabilities and toolsets into the GSA software approval process. Improved processes and capabilities lower the risk of accidental fraud by contacting each software requester to ensure the proof of purchase and license use agreement are collected prior to authorizing installation of the requested software.

In addition to these more recent additions to GSA IT's fraud prevention efforts, there are other actions that are routinely deployed to prevent fraudulent misuse of information. Other steps taken are:

- Tracking and minimizing the use of social security numbers (SSN)
  - GSA does not include the SSN of an individual on any document sent by postal mail, except as authorized by the Administrator or as required by applicable law, regulations, or Government-wide policies (e.g., U.S. Department of the Treasury–Internal Revenue Service Form W-2, Wage and Tax Statement, which GSA must provide to each employee).
  - The only GSA-sponsored forms requesting a full SSN on a voluntary basis are GSA 3665 – Authorization to Obtain Credit Report and GSA-850 – Contractor Information Worksheet.

- Requiring annual IT security and privacy training for employees
- Using detection and prevention tools on outbound email, including:
  - CloudLock, which identifies privacy and security risks, and
  - MailGate, which quarantines outbound traffic to reduce the release of SSNs in an unencrypted format. Quarantined emails are monitored on a daily basis by GSA Privacy Office staff.

Each of these actions are annually reported on as required by the Social Security Number Fraud Prevention Act of 2017 (Pub. L. 115-59).

## Office of the Chief Financial Officer

In addition to the agency-wide training that educates GSA employees on potential fraud, OCFO team members successfully completed training on the Antideficiency Act and an Overview of Financial Management.

Additional oversight occurs when the OCFO Payroll Services Branch and Payroll Accounting and Reporting (PAR) system are audited annually. These audits include: service organization controls, agreed-upon procedures on behalf of GSA, and multiple client-agency financial statement audits. The testing performed during these audits includes but is not limited to reviewing:

- the payroll system access, calculations, and processing controls;
- the entirety of the OCFO Payroll Services Branch processes and controls; and
- the accuracy of the payroll reporting to the financial systems.

The OCFO payroll operations has stringent controls in place for the certification and transmission of payment files to U.S. Department of the Treasury for the actual fund disbursements to payees via Treasury's Secure Payment System. The payroll disbursement transactions and processes, and the controls over them, are regularly reviewed by the payroll supervisors and are included in the scope for the annual audits performed. Fraud has not been detected or reported on by the payroll staff, IT support staff, related operations, or the PAR system.

OCFO payroll operations does receive periodic OIG investigative requests for employee pay, time, and attendance data from the payroll system. This information is provided in full and in the strictest of confidence. The results of these OIG inquiries are never shared with the OCFO payroll operations.

The primary concern of the OCFO payroll operations is to ensure that all certified time and attendance actions are processed timely and accurately for disbursement. An action certified is presumed to be accurate and authorized for processing and subsequent disbursing. The retroactive payroll system process is available when agency employees, supervisors, and HR officials identify administrative errors have been made in the originally processed transactions or time cards. In these instances, the employee, supervisor, and HR official prepare, certify, and process retroactive actions to correct or adjust the previously submitted transactions.

In addition, OCFO has made progress identifying risks and vulnerabilities to fraud with respect to payroll and beneficiary payments. A new time and attendance system was implemented in the third quarter of FY 2018, which integrated leave requests with the time cards and reduced the risk associated with paying employees improperly. Controls were also strengthened to reduce the risk of paying employees after separation.



## Public Buildings Services

The Public Buildings Services (PBS) works in close coordination with its business partners — including the OIG, the Office of Government-wide Policy (OGP), OCFO, and the GAO — to strengthen controls and reduce the risk of fraud. PBS collaborates with these entities to implement recommendations and corrective actions that mitigate risks associated with fraud across its business processes. PBS has enhanced and automated its processes to improve transparency and reduce fraudulent activity. PBS complies with internal policies for requesting, tracking, and approving transactions.

Additional program-specific fraud detection activities include:

### Lease Acquisition

- The Office of Leasing works with OGP to conduct Procurement Management Reviews (PMR) of leases and PBS's compliance with leasing policy and procedures. All findings from PMR audits are shared with the OIG, and OGP notifies the OIG of any suspicious or potentially fraudulent activities detected during the PMR review of real property leases.
- Prior to lease award, PBS determines that each offeror is eligible for participation in Federal contracts using the exclusions extract available in the SAM database. By verifying that its potential contractors are not debarred or suspended, GSA is able to more effectively limit its potential for fraudulent activity in its leasing program.
- Prior to lease award, PBS requires that offerors be registered in the SAM database, which supports PBS in its efforts to manage risk for potential fraudulent activity in its leasing program.
- PBS also tracks its lease projects using the GSA Real Estate Exchange and Real Estate Across the U.S. systems for lease payments that could identify project or payment anomalies that potentially reflect fraudulent activity.

### Acquisition

- The OIG conducts audits on high-value, high-risk PBS contracts.
- PBS works to implement recommendations identified during audits and investigations. The OIG analyzes potentially fraudulent or otherwise criminal activities. They conduct nationwide criminal, civil, and administrative investigations of illegal or improper activities involving PBS programs, operations, and personnel.
- PBS reviews OIG reports and develops corrective action plans in coordination with applicable business lines to mitigate risks associated with findings.
- PBS worked with OCFO to implement a receiving report module in the Enterprise Acquisition System Integrated (EASI) to enable receiving and payment of services electronically, eliminating duplication of entry in EASI and the interfacing financial management system, Pegasys, helping to identify project or payment anomalies that potentially reflect fraudulent activity.

## Federal Acquisition Service

FAS operations work hand-in-hand with OCFO to mitigate risks associated with fraudulent financial reporting and misuse of assets. Automated processes with restricted access, and required third-party approvals for obligating funds and approving expenditures in systems such as Pegasys, ConcurGov travel, various

commercial applications, and the Information Technology Support Services/Assisted Services Shared Information System in the acquisition arena, have minimized the potential for inappropriate activities to occur. Segregation of duties is established in these systems with regard to internal financial controls to ensure transactions, including purchase requests, travel authorizations, and credit card purchases, are approved by a fund manager and certified by an independent OCFO official.

Additional program-specific fraud detection activities include:

- FAS' National Customer Service Center (NCSC) uses best practices, such as customer identity verification procedures, for identifying potential fraud when customers place orders with GSA. NCSC has coordinated internally with the OIG on numerous fraud-related investigations.
- GSA Fleet has a Loss Prevention Team that uses routine reports to monitor GSA fleet cards for fraud, waste, and abuse. The team has an agreement with GSA's OIG to perform investigations when Fleet turns the information over to the OIG.
- Acquisition Center Multiple Award Schedule (MAS) programs work in collaboration with the OIG to resolve findings in pre-award examination audit reports of the MAS vendors. These findings often involve vendors overcharging the Government or not paying the required amount of GSA's industrial operations fees. Similar findings are researched by the FAS industrial operations analysts and have resulted in potential recovered funds of nearly \$180,000 during the first half of FY 2019. This information is turned over to administrative contracting officers to resolve.
- SAM is a SAM is the centralized service that supports Federal acquisition and financial assistance awards managed by the GSA Integrated Award Environment program management office. In FY 2019, GSA tested the controls implemented in FY 2018 and built upon them. GSA commissioned a comprehensive third-party fraud and risk assessment of both legacy SAM and the beta.SAM.gov modernization effort. The assessment sought to identify existing web application vulnerabilities and business process flaws. Only minor issues were identified within the SAM application itself. Several inherited risks were identified from an external interface. These were shared with the provider and addressed in a timely manner. GSA considers the use of the third-party assessment team essential to vigilant protection of data.
- SAM alone supported more than 220 active fraud investigations, providing detailed system records and audit data to the GSA OIG and other agencies' inspectors generals. The data and subject matter expertise provided by the IAE program was cited numerous times as being critical to multiple successful, inter-agency prosecution efforts and demonstrates GSA's ongoing commitment to fighting procurement and supply chain fraud.
- GSA took steps to help educate users and increase awareness of phishing and deceptive, unsolicited email practices employed by some companies not affiliated with the Government. IAE updated its help content and shared instructions for users to identify and report potential suspicious activity — including unsolicited email or other unsolicited contact, and phishing — by leveraging resources at the U.S. Computer Emergency Response Team, the Federal Bureau of Investigation, and the Federal Trade Commission.

Additionally, GSA has multiple new controls to deter fraudulent activity in the SAM. These controls include:

- Implementing multi-factor authentication to log into SAM.gov. This requires a SAM user to be double validated by a username and password and by entering a unique code sent to an electronic device associated with a user account during the login process.

- Restricting access to the expired registration data migrated into SAM from the Central Contractor Registration system in 2012, which has never been activated in SAM. This deters bad actors from using inactive registration information to impersonate a legitimate business.
- Notifying vendor and the parent entity when the vendor changes bank information in the registration. This reduces the risk of undetected financial information changes and misdirected payments. Parent approvals are also required if a child entity tries to register in SAM.

Partially masking sensitive data (i.e., displaying a TIN as \*\*\*\*\*3928 to someone logged into the system). This added to the existing control (which prevented public display of sensitive data) by not displaying full sensitive fields even to users with roles to the entity, reducing the risk of exposing data should a bad actor gain access to a registration. SAM only displays the last four characters of the Marketing Partner Identification Number, TIN, ABA routing number, and bank account number for users with approved roles.

## Office of Administrative Services

### GSA Travel and Purchase Card Programs

#### Reducing Travel Card Delinquencies

To monitor delinquencies associated with the travel card, GSA established a centrally billed account with the contracted Electronic Travel System (ETS) vendor for travel transportation expenses. The ETS vendor performs an automated reconciliation of travel transportation billings and provides GSA with a list of reconciled charges. There are no delinquencies on this account since it is paid on a bi-weekly basis.

For individually billed accounts, a monthly delinquency report is provided to each cardholder's supervisor. Approving officials (AO) counsel and discipline employees, as necessary, in consultation with the Office of Human Resources Management (OHRM). GSA initiates salary offset to collect undisputed delinquent travel charge card debt. To further reduce the potential for delinquent accounts, GSA has incorporated the split disbursement feature into ETS for payment directly to the charge card contractor.

There are no delinquencies for the purchase card program since payment to the charge card contractor is made on a daily basis.

To mitigate the risk associated with employees who separate from GSA and fail to properly return or destroy their charge cards, GSA uses a daily employee separation list and verifies the names on the list. These accounts are immediately canceled with U.S. Bank. As an additional control, a monthly separation list from OHRM is used to verify closing separated employee accounts with U.S. Bank that may have been missing from the daily list. GSA also reconciles the list of active charge card participants from U.S. Bank to human resource files on a periodic basis, at least once a year.

#### Additional Travel and Purchase Card Controls

GSA program offices receive a semiannual report of inactive purchase cardholders (accounts with no activity in the preceding 12 months) for review. The program offices initiate closure for accounts that are no longer needed.

GSA uses retail blocks on questionable or high-risk Merchant Category Codes (MCC) for purchases and travel. GSA reviews and updates the use of these codes periodically.

Travel card applicants complete their travel card application online in lieu of completing a paper application. The online application increases sustainability by reducing the number of paper applications processed and increases the security of an applicant's personally identifiable information.

GSA requires all approving officials, cardholders, and agency and organization program coordinators to complete training prior to appointment and issuance of a charge card for purchase or travel and complete refresher training every 2 years for travel cards and every 3 years for purchase cards.

Charge card program improvements in FY 2019 include:

- Sending monthly questionable charges and delinquency reports to OHRM to ensure approving officials and supervisors carry out consistent application of disciplinary action, when necessary.
- Using a new commercial off-the-shelf data mining tool, Insight on Demand (IOD). This tool reduces the risk of misuse by regularly identifying questionable charges.
- Limiting cash withdrawals to 2 percent of the cardholder's travel card limit. This strategy will reduce excessive ATM withdrawals on the travel card, reduce ATM fees, and increase GSA's rebate on the use of the travel card.
- Developing and implementing a policy for the use of third-party payment providers.
- Using U.S. Bank's payment analytic tool to flag questionable transactions to ensure transactions were not split in order to bypass purchase card limits.

GSA uses the following reports to detect possible charge card misuse:

**Pegasys Daily Charges Report-** This report is used by cardholders to review daily transactions. Credit card vendors import transaction data into Pegasys, generating email notifications to cardholders on the availability of their daily transaction report. Cardholders can then download, review, and verify the report.

**Pegasys Monthly Charge Card Transaction Report-** This report is used by AOs to review their cardholders' monthly transactions. The Pegasys charge card module automatically sends an email to the AOs, including a consolidated report of all their cardholders' monthly charge card transactions. AOs can elect to receive daily emails of new charge activity as it occurs, and they can access a variety of reports on their cardholders' accounts at any time from the Pegasys reports module. All AOs are required to review and certify their monthly reports within 10 days of receipt and take action on all unauthorized and questionable charges. In addition, the OAS monitors the AOs' monthly reviews to ensure completion.

**Questionable Charges Report-** This report uses IOD to assess questionable transactions. On a monthly basis, OAS uses data mining techniques to identify questionable charges using attributes such as:

- Merchant description;
- MCC;
- Merchant names;
- Holiday transactions; and
- Key words.

The data is reviewed and compiled into questionable charges reports for further review.

The GSA OIG has direct access to all purchase and travel card data and performs limited data mining on purchase card transactions. In addition, the program office contacts the OIG if inappropriate use of the card is discovered. The GSA OCFO A-123 review team conducts a quarterly review of internal controls in accordance with the Improper Payments Elimination Recovery Act of 2010.

**Impending Suspensions Report** – OAS notifies regional coordinators to follow up with AOs who have not reviewed and certified their Pegasys monthly transactions. Upon notification, the AOs have 10 days to review and certify the Pegasys reports to prevent the suspension of their cardholders' accounts.

**Transaction File** – This monthly nationwide file of all purchase card transactions is provided to the GSA OIG and the Federal shared service provider for financial services for review and audit sampling.

**Potential Split Transactions** – These transactions are monitored daily for policy violations. In the event of a violation, OAS advises the AO and management officials to take corrective action in consultation with their servicing human resources office. OAS also reports the violation to the OIG.

### Travel Card

The questionable charges reports described above are also utilized for travel cards. In addition, OAS uses data mining attributes such as:

- Merchant description;
- Cash;
- MCC;
- Merchant names;
- Returned checks; and
- Travel card transactions that are not supported by an approved travel authorization in ETS.

### Additional Control to Curb Fraud

Lost and stolen card reports are run annually to identify cardholders who report their purchase card lost or stolen during the period. The report is used to monitor potential fraud and abuse of the purchase card. OAS may revoke a cardholder's purchase card and refer the cardholder to the OIG if fraud or abuse is detected.

## Office of Inspector General

### Fraud Prevention Strategies and Procedures

#### Integrity Awareness

The OIG presents integrity awareness briefings nationwide to educate GSA employees on their responsibilities for the prevention of fraud and abuse. This period, the OIG presented 121 briefings attended by 1,746 GSA employees, other Government employees, and Government contractors. These briefings explain the statutory mission of the OIG and the methods available for reporting suspected instances of wrongdoing. In addition, through the presentation of case studies, the briefings make GSA employees aware of actual instances of fraud in GSA and other Federal agencies and thus help to prevent their recurrence. GSA



employees are the first line of defense against fraud, abuse, and mismanagement. They are a valuable source of investigative information.

### **OIG Semiannual Report to Congress**

The GSA OIG plays a significant role in the prevention and detection of fraud at the GSA and reported the following activities during FY 2019.

### **OIG Investigations**

The Office of Investigations conducts independent and objective investigations relating to GSA programs, operations, and personnel. The office consists of special agents with full statutory law enforcement authority to make arrests, execute search warrants, serve subpoenas, and carry concealed weapons. Special agents conduct criminal, civil, or administrative investigations that often involve complex fraud schemes. Investigations can also involve theft, false statements, extortion, embezzlement, bribery, antitrust violations, credit card fraud, diversion of excess Government property, and digital crimes. During this reporting period, the office opened 116 investigative cases, closed 110 investigative cases, referred 159 subjects for criminal prosecution, and helped obtain 49 convictions. Civil, criminal, and other monetary recoveries resulting from OIG investigations totaled over \$122 million.

### **Suspension and Debarment Initiative**

GSA has a responsibility to ascertain whether the people or companies it does business with are eligible to participate in Federally assisted programs and procurements, and to ensure that they are not excluded parties, which are individuals or companies that have been declared ineligible to receive Federal contracts. The Federal Acquisition Regulation authorizes an agency to suspend or debar individuals or companies for the commission of any offense indicating a lack of business integrity or business honesty that directly affects the present responsibility of a Government contractor or subcontractor. The OIG has made it a priority to process and forward referrals to GSA, ensuring that the Government does not award contracts to individuals or companies that lack business integrity or honesty.

During this reporting period, the OIG made 130 referrals for consideration of suspension or debarment to the GSA Office of Acquisition Policy. GSA issued 226 actions based on current and previous OIG referrals.

### **OIG Hotline**

The OIG hotline provides an avenue for employees and other concerned citizens to report suspected wrongdoing. Hotline posters located in GSA controlled buildings encourage employees to use the hotline. The hotline also allows internet submission of complaints. During the reporting period, the OIG received 1,304 hotline contacts. Of these, 152 were referred to GSA program officials for review and appropriate action, 30 were referred to other Federal agencies, 23 were referred to the OIG Office of Audits, and 127 were referred to investigative field offices for investigation or further review.

## OTHER GSA STATUTORILY REQUIRED REPORTS (UNAUDITED)

### Debt Management

GSA reported \$125.2 million of outstanding debt from non-Federal sources, subject to the Debt Collection Improvement Act of 1996 (DCIA). Of that amount, \$28.5 million, or 22.8 percent, of the outstanding debt was delinquent at the end of FY 2019. Non-Federal receivables consist of debts owed on third-party claims, travel advances, proceeds from the sale of real property, and other miscellaneous receivables.

To comply with the DCIA, GSA transmits delinquent claims each month to the U.S. Treasury, Bureau of the Fiscal Service for cross-servicing collection. During FY 2019, the OCFO referred more than \$6.8 million in delinquent non-Federal claims to the U.S. Treasury for cross-servicing collection activities. Collections on non-Federal claims during this period exceeded \$990.4 million.

The OCFO has continued to implement and initiate actions to improve its debt collection efforts and to reduce the amount of debt written off as uncollectible by GSA.

GSA actively pursues delinquent non-Federal claims using installment agreements, salary offset, administrative wage garnishment, and any other statutory requirement or authority that is applicable. GSA continues to place a high priority on resolving delinquent accounts receivable and claims.

### Cash and Payments Management

The Prompt Payment Act (PPA), along with the DCIA, requires the timely payment of commercial obligations for supplies and services using electronic funds transfer. In FY 2019, GSA paid interest of \$559,850 on disbursements subject to the PPA of \$22.5 billion, or \$26.65 in interest per million disbursed. The statistics for the current and preceding two fiscal years are:

	FY 2017	FY 2018	FY 2019
Total Number of Invoices Paid	1,920,286	2,123,989	2,090,857
Total Dollars Disbursed (in billions)	\$18.9	\$21.2	\$22.5
Total Dollars of Interest Penalties	\$704,052	\$488,255	\$599,850
Interest Paid per Million Disbursed	\$37.30	\$23.48	\$26.65
Percentage of Invoices Paid-On-Time	99.7%	99.7%	99.7%
Percentage of Invoices Paid Late	0.3%	0.3%	0.3%
Percentage of Invoices Paid Electronically	99.5%	97.3%	99.2%

## REDUCE THE FOOTPRINT (UNAUDITED)

GSA leads Federal agencies in reducing its footprint with a 32-percent decrease in usable square footage (USF) since FY 2015, allowing GSA to realize a savings of nearly \$4 million in overhead and maintenance (O&M) costs in FY 2018. In the 3 years since the 2015 USF baseline was established, GSA has saved more than \$10 million on O&M costs. The largest USF reduction during FY 2018 was from the consolidation of the Great Lakes regional office in Chicago, IL.

During FY 2019, GSA kicked off the consolidation of its National Capital Region into GSA's headquarters building at 1800 F Street NW (both in Washington, DC). That move will result in GSA releasing about 250,000 USF space at the regional office building in FY 2020.

GSA is continuously seeking to maximize the use of owned Federal space, eliminate costly lease arrangements, and dispose of underutilized assets. GSA seeks to improve the use of space through various workplace strategies including: reconfiguring individual, collaborative, and support spaces; desk-sharing; a continued emphasis on enabling and supporting mobile work; and shifting from traditional office space to more flexible, equitable open-plan workplace environments.

### Reduce the Footprint Baseline Comparison

	FY 2015 Baseline	FY 2018	Change (FY 2015 Baseline - 2018)
Usable Square Footage (USF)	5.2	3.5	(1.7)

### Reporting of O&M Costs – Owned and Direct Lease Buildings

	FY 2015 Reported Cost	FY 2018	Change (FY 2015 Baseline-2018)
Operation and Maintenance Costs (\$ in millions) <sup>1</sup>	\$40	\$36.4	\$(3.6)

<sup>1</sup> Reflects operating rent that PBS billed to the GSA Occupancy Agreements (OAs) subject to RTF in FY 2015 and FY 2018. These figures are different from the O&M costs reported in Federal Real Property Profile (FRPP) as GSA's FRPP O&M costs are reported at the asset level and include vacant Federal space as well as space occupied by other agency OAs. Additionally, the FRPP definition of O&M costs includes only actual expenses, recurring maintenance and repair costs, utilities, and cleaning and roads/grounds expenses, whereas PBS-billed operating rent may include other operating cost components.

## CIVIL MONETARY PENALTIES INFLATION ADJUSTMENT (UNAUDITED)

The Federal Civil Penalties Inflation Adjustment Act of 1990 (the Inflation Adjustment Act), as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. The penalty and the applicable authority are identified for adjustment in accordance with the Inflation Adjustment Act and are listed below:

Statutory Authority	Penalty (Name or Description)	Year Enacted	Latest year of adjustment (via statute or regulation)	Current Penalty Level (\$ Amount or Range)	Sub-Agency/Bureau/Unit	Location for Penalty Update Details
40 U.S.C. 121 (c) and 31 U.S.C 3809	Program Fraud Civil Remedies Act	1986	4 Nov 19	\$11,282 for each false, fictitious, or fraudulent statement	N/A	41 CFR Part 105-70, effective November 4, 2019 (rule published October 4, 2019)

## ACRONYMS AND ABBREVIATIONS

<b>4P</b>	Price Point Plus Portal	<b>CXO</b>	Chief X Officer
<b>AAAP</b>	Automated Advanced Acquisition Program	<b>DATA Act</b>	Digital Accountability and Transparency Act of 2014
<b>AAS</b>	Assisted Acquisition Services	<b>DCIA</b>	Debt Collection Improvement Act of 1996
<b>ABA</b>	American Bankers Association	<b>DHS</b>	Department of Homeland Security
<b>ADA</b>	Antideficiency Act	<b>DM&amp;R</b>	Deferred Maintenance and Repairs
<b>AFR</b>	Annual Financial Report	<b>DMF</b>	Death Master File
<b>AO</b>	Approving Official	<b>DNP</b>	Do Not Pay
<b>APR</b>	Annual Performance Plan and Report	<b>DOI</b>	U.S. Department of the Interior
<b>ASF</b>	Acquisition Services Fund	<b>DOL</b>	U.S. Department of Labor
<b>BAT</b>	Building Assessment Tool	<b>DUNS</b>	Data Universal Numbering System
<b>BIC</b>	Best-in-Class	<b>EASi</b>	Enterprise Acquisition System Integrated
<b>BSN</b>	Building Systems Network	<b>EIS</b>	Enterprise Infrastructure Solution
<b>CALC</b>	Contract-Awarded Labor Category	<b>ELIM</b>	Intra-GSA Elimination
<b>CALM</b>	Contract Acquisition Lifecycle Management System	<b>EOA</b>	Eliminate, Optimize, and Automate
<b>CAP</b>	Corrective Action Plan	<b>EOL</b>	End of Life
<b>CBCA</b>	Civilian Board of Contract Appeals	<b>EOP</b>	Executive Office of the President
<b>CBRE</b>	Coldwell Banker Richard Ellis	<b>EPLS</b>	Excluded Parties List System
<b>CDM</b>	Continuous Diagnostics and Mitigation	<b>ERM</b>	Enterprise Risk Management
<b>CFL</b>	Computers For Learning	<b>ESCO</b>	Energy-Service Companies
<b>CFO</b>	Chief Financial Officer	<b>ESPC</b>	Energy Savings Performance Contracts
<b>CIC</b>	Cloud Information Center	<b>ETS</b>	E-Gov Travel Service
<b>CM</b>	Category Management	<b>ETS2</b>	E-Gov Travel Service 2
<b>CoP</b>	Community of Practice	<b>EY</b>	Ernst & Young
<b>COR</b>	Contracting Officer's Representative	<b>FAR</b>	Federal Acquisition Regulation
<b>CSBR</b>	Combined Statements of Budgetary Resources	<b>FAS</b>	Federal Acquisition Service
<b>CSRS</b>	Civil Service Retirement System	<b>FASAB</b>	Federal Accounting Standards Advisory Board



<b>FASTA</b>	Federal Assets Sales and Transfer Act	<b>GAAP</b>	Generally Accepted Accounting Principles
<b>FBF</b>	Federal Buildings Fund	<b>GAO</b>	Government Accountability Office
<b>FBwT</b>	Fund Balance with Treasury	<b>GCIMS</b>	GSA Credential and Identity Management System
<b>FCI</b>	Facility Condition Index	<b>GLS</b>	GSA Leasing Support Services
<b>FCSF</b>	Federal Citizen Services Fund	<b>GSA</b>	U.S. General Services Administration
<b>FECA</b>	Federal Employees' Compensation Act	<b>GSA IT</b>	Office of GSA Information Technology
<b>FedRAMP</b>	Federal Risk and Authorization Management Program	<b>GSS</b>	General Supplies and Services
<b>FEI</b>	Federal Executive Institute	<b>GTAS</b>	Government-wide Treasury Account Symbol Adjusted Trial Balance System
<b>FEMA</b>	Federal Emergency Management Agency	<b>GWCM</b>	Government-wide Category Management
<b>FERS</b>	Federal Employees Retirement System	<b>HCA</b>	Head of Contracting Activity
<b>FFATA</b>	Federal Financial Accountability and Transparency Act of 2006	<b>IAE</b>	Integrated Award Environment
<b>FFMIA</b>	Federal Financial Management Improvement Act of 1996	<b>ICET</b>	Internal Control Evaluation Tool
<b>FFO</b>	Funds From Operations	<b>IOD</b>	Insight on Demand
<b>FICAM</b>	Federal Identity, Credential, and Access Management	<b>IPERIA</b>	Improper Payments Elimination and Recovery Improvement Act of 2012
<b>FISMA</b>	Federal Information Security Management Act	<b>IPT</b>	Integrated Project Team
<b>FMFIA</b>	Federal Managers' Financial Integrity Act of 1982	<b>IT</b>	Information Technology
<b>FMP</b>	Federal Marketplace initiative	<b>ITC</b>	Office of the Information Technology Category
<b>FPISC</b>	Federal Permitting Improvement Steering Council	<b>LLP</b>	Limited Liability Partnership
<b>FPS</b>	Federal Protective Service	<b>M3</b>	Modernization and Migration Management
<b>FR</b>	Financial Report	<b>MAS</b>	Multiple Award Schedule
<b>FRDAA</b>	Fraud Reduction and Data Analytics Act of 2015	<b>MCC</b>	Merchant Category Code
<b>FRPP</b>	Federal Real Property Profile	<b>MCOC</b>	Management Control and Oversight Council
<b>FSSI</b>	Federal Strategic Sourcing Initiatives	<b>MPT</b>	Micro-Purchase Threshold
<b>FTE</b>	Full-Time Equivalent	<b>NCR</b>	National Capital Region
<b>FY</b>	Fiscal Year	<b>NCSC</b>	National Customer Service Center
		<b>NDAA</b>	The National Defense Authorization Act

<b>NIST</b>	National Institute of Standards and Technology	<b>R&amp;A</b>	Repairs and Alterations
<b>O&amp;M</b>	Operation and Maintenance	<b>RFQ</b>	Request for Quotation
<b>OA</b>	Occupancy Agreement	<b>RMF</b>	Risk Management Framework
<b>OAS</b>	Office of Administrative Services	<b>RO</b>	Requesting Official
<b>OCE</b>	Office of Customer Experience	<b>RPA</b>	Robotics Process Automation
<b>OCFO</b>	Office of the Chief Financial Officer	<b>RSF</b>	Rentable Square Feet
<b>OCIA</b>	Office of Congressional and Intergovernmental Affairs	<b>RTF</b>	Reduce the Footprint
<b>OCR</b>	Office of Civil Rights	<b>SAM</b>	System for Award Management
<b>OGC</b>	Office of General Counsel	<b>SAR</b>	Semiannual Report to Congress
<b>OGP</b>	Office of Government-wide Policy	<b>SF 133</b>	Reports on Budget Execution and Budgetary Resources
<b>OHRM</b>	Office of Human Resources Management	<b>SFFAS</b>	Statements of Federal Financial Accounting Standards
<b>OIG</b>	Office of the Inspector General	<b>SIN</b>	Special Item Number
<b>OLM</b>	Order-Level Materials	<b>SNC</b>	Statement of Net Cost
<b>OMA</b>	Office of Mission Assurance	<b>SPE</b>	Senior Procurement Executive
<b>OMB</b>	Office of Management and Budget	<b>SSA</b>	Social Security Administration
<b>OPM</b>	Office of Personnel Management	<b>SSN</b>	Social Security Number
<b>OSBU</b>	Office of Small Business Utilization	<b>SSO</b>	GSA Services and Staff Offices
<b>OSC</b>	Office of Strategic Communication	<b>SSP</b>	System Security Plan
<b>P3</b>	Public-Private Partnerships	<b>TDR</b>	Transactional Data Reporting
<b>PACS</b>	Physical Access Control Systems	<b>TIN</b>	Internal Revenue Service's Taxpayer Identification Number
<b>PAR</b>	Payroll Accounting and Reporting	<b>TMF</b>	Technology Modernization Fund
<b>PBS</b>	Public Buildings Service	<b>TSP</b>	Thrift Savings Plan
<b>PDRI</b>	Project Definition Rating Index	<b>TTL</b>	Travel, Transportation and Logistics
<b>PMA</b>	President's Management Agenda	<b>UESC</b>	Utility Energy Service Contract
<b>PMO</b>	Program Management Office	<b>USC</b>	United States Code
<b>PMR</b>	Procurement Management Review	<b>USF</b>	Usable Square Footage
<b>PP&amp;E</b>	Plant, Property and Equipment	<b>WCF</b>	Working Capital Fund
<b>PPA</b>	Prompt Payment Act	<b>WIFM</b>	Workplace Investment Feasibility Model
<b>PSHC</b>	Professional Services and Human Capital		

## ENDNOTES

Page no.	URL address of hyperlink
1	<a href="https://www.gsa.gov/reference/reports/budget-performance/annual-reports">https://www.gsa.gov/reference/reports/budget-performance/annual-reports</a>
3	<a href="https://www.gsa.gov/annualreports">gsa.gov/annualreports</a>
5	<a href="https://www.gao.gov/assets/80/76911.pdf">https://www.gao.gov/assets/80/76911.pdf</a>
5	<a href="https://www.whitehouse.gov/wp-content/uploads/2019/06/OMB-Circular-A-136.pdf">https://www.whitehouse.gov/wp-content/uploads/2019/06/OMB-Circular-A-136.pdf</a>
5	<a href="https://tfm.fiscal.treasury.gov/v1.html#Part2">https://tfm.fiscal.treasury.gov/v1.html#Part2</a>
7	<a href="https://www.gao.gov/assets/680/675709.pdf">https://www.gao.gov/assets/680/675709.pdf</a>
13	<a href="https://resources.data.gov/">https://resources.data.gov/</a>
17	<a href="https://www.gsa.gov/reference/reports/budget-performance/annual-reports">https://www.gsa.gov/reference/reports/budget-performance/annual-reports</a>
19	<a href="https://www.gsa.gov/about-us/organization/federal-acquisition-service">https://www.gsa.gov/about-us/organization/federal-acquisition-service</a>
19	<a href="https://www.gsa.gov/about-us/organization/public-buildings-service">https://www.gsa.gov/about-us/organization/public-buildings-service</a>
19	<a href="https://www.gsa.gov/about-us/organization/office-of-governmentwide-policy-overview">https://www.gsa.gov/about-us/organization/office-of-governmentwide-policy-overview</a>
19	<a href="https://www.gsa.gov/about-us/organization/office-of-administrative-services">https://www.gsa.gov/about-us/organization/office-of-administrative-services</a>
20	<a href="https://www.gsa.gov/about-us/organization/gsa-office-of-the-chief-financial-officer">https://www.gsa.gov/about-us/organization/gsa-office-of-the-chief-financial-officer</a>
20	<a href="https://www.gsa.gov/about-us/organization/gsa-it">https://www.gsa.gov/about-us/organization/gsa-it</a>
20	<a href="https://www.gsa.gov/about-us/organization/office-of-civil-rights-overview">https://www.gsa.gov/about-us/organization/office-of-civil-rights-overview</a>
20	<a href="https://www.gsa.gov/about-us/organization/office-of-congressional-and-intergovernmental-affairs-overview">https://www.gsa.gov/about-us/organization/office-of-congressional-and-intergovernmental-affairs-overview</a>
20	<a href="https://www.gsa.gov/about-us/organization/office-of-customer-experience">https://www.gsa.gov/about-us/organization/office-of-customer-experience</a>
20	<a href="https://www.gsa.gov/about-us/organization/office-of-general-counsel-overview">https://www.gsa.gov/about-us/organization/office-of-general-counsel-overview</a>
20	<a href="https://www.gsa.gov/about-us/organization/office-of-human-resources-management">https://www.gsa.gov/about-us/organization/office-of-human-resources-management</a>
20	<a href="https://www.gsa.gov/about-us/organization/office-of-mission-assurance">https://www.gsa.gov/about-us/organization/office-of-mission-assurance</a>
20	<a href="https://www.gsa.gov/about-us/organization/office-of-small-business-utilization-osbu">https://www.gsa.gov/about-us/organization/office-of-small-business-utilization-osbu</a>
20	<a href="https://www.gsa.gov/about-us/organization/office-of-strategic-communication">https://www.gsa.gov/about-us/organization/office-of-strategic-communication</a>
21	<a href="https://www.gsa.gov/about-us/organization/gsa-office-of-inspector-general-overview">https://www.gsa.gov/about-us/organization/gsa-office-of-inspector-general-overview</a>
21	<a href="https://www.gsa.gov/about-us/organization/civilian-board-of-contract-appeals-overview">https://www.gsa.gov/about-us/organization/civilian-board-of-contract-appeals-overview</a>
21	<a href="https://www.permits.performance.gov/about/federal-permitting-improvement-steering-council-fpisc-agencies">https://www.permits.performance.gov/about/federal-permitting-improvement-steering-council-fpisc-agencies</a>
22	<a href="https://digital.gov/communities/rpa/">https://digital.gov/communities/rpa/</a>
28	<a href="https://ussm.gsa.gov/m3overview/">https://ussm.gsa.gov/m3overview/</a>
136	<a href="https://interact.gsa.gov/">https://interact.gsa.gov/</a>
147	<a href="https://www.sam.gov/SAM/">https://www.sam.gov/SAM/</a>
152	<a href="https://paymentaccuracy.gov/">https://paymentaccuracy.gov/</a>
157	<a href="https://www.sam.gov/SAM/">https://www.sam.gov/SAM/</a>

## ACKNOWLEDGMENTS

The U.S. General Services Administration appreciates the contributions of all staff that compiled and produced the FY 2019 Agency Financial Report. It is a significant agency-wide undertaking, and is directly tied to GSA's mission to deliver value and savings in real estate, acquisition, technology, and other mission-support services across Government. The dedication of our financial management community ensures we are delivering these solutions in a financially responsible, transparent, and accountable way.

We specifically acknowledge the staff of the Office of Financial Management within the Office of the Chief Financial Officer. Their year-round efforts to compile the GSA's financial statements and accompanying notes, monitor internal controls and improper payments, and manage the financial statements audit greatly impact GSA's ability to be an effective and responsible steward of public funds. In particular, we recognize the following individuals and organizations for their contributions:

### Office of Financial Management within the Office of the Chief Financial Officer

Kathy Hammer, Director

Andrea Stanley	Claudine Schleicher	Jared Leicht	Natasha Schatzman
Angela Evans	Curtis Bartlett	Josslyn ideghe	Paula Bohnwagner
April Pratt	Deborah Holden	Joy Bendix	Scott Wheeler
Bob Smalskas	Edward Gramp	Kai Terry	Stefanie Crane
Cassandra Holman	Felicia Ford-Jones	Ken Kirtley	Theresa Lewis
Christi Dewhirst	Gail Bruss	Keri Ann Band	Willaim Bezio

### Office of Analytics, Performance, and Improvement within the Office of the Chief Financial Officer

Stephen Brockelman, Director

Hal Hendricks	Joshua Vogel	Susan Perkins
---------------	--------------	---------------

### Other Contributors

Aaron Scurlock	Craig Hull	Evan Farley	Mick Harris
Brian Block	David Hooper	Jeff White	Steven Hoffman
Bryan Schillinger	Donna Garland	Jonathan Clinton	Ronald White

We offer special thanks to Office of Strategic Communications.

We would also like to acknowledge the Office of Inspector General for its input on the audit process and KPMG for the professional manner in which they conducted the audit of the FY 2019 financial statements.



Kind regards - Gerard Badorek, GSA CFO

## PHOTOS

Front cover and Back cover:

**United States Courthouse  
Los Angeles CA**  
photo: GSA

Inside Front cover:

**U.S. General Services Administration,  
Central Office**  
photo: GSA

Page 2:

**Mariposa Land Port of Entry  
Nogales, AZ**  
photo: GSA

Page 4:

**U.S. Land Port of Entry  
Warroad, MN**  
photo: GSA

Page 8:

**U.S. General Services Administration -  
Administrator Emily Murphy**  
photo: GSA

Page 10:

Left:  
**U.S. General Services Administration's First  
Press Release, July 3, 1949**  
photo: GSA

Right:  
**First Administrator of GSA, Jess Larson**  
photo: GSA

Page 11:

Top:  
**U.S. General Services Administration, Central  
Heating Plant (circa 1933) - added to Historical  
Register in 2008. Washington, DC**  
Photo: Historic American Buildings Survey,  
Creator, GSA

Bottom:

**U.S. General Services Administration  
Edith Green-Wendell Wyatt Federal Building  
Portland, OR**  
photo: GSA

Page 12:

Top:  
**U.S. General Services Administration Supply  
Center 1969, Clearfield, UT**  
photo: GSA

Bottom:

**U.S. General Services Administration oversees  
the issuance of 3.5 million charge cards - GSA  
SmartPay 3 Card**  
photo: GSA

Page 13:

Top:  
**U.S. General Services Administration's  
Automatic Data Processing Center, circa 1967**  
photo: GSA

Bottom:

**GSA's third strategic goal is to improve the way  
Federal agencies buy, build, and  
use technology.**  
photo: Shutterstock.com

Page 15:

Top:  
**Archival photo  
U.S. General Services Administration,  
Central Office Building, Washington, D.C.**  
photo: GSA

Left:  
**Detail of Eagle Sculpture  
U.S. General Services Administration,  
Central Office  
Washington, D.C.**

Page 15:

Right:

**U.S. General Services Administration, Central  
Office Building, Washington, D.C.**

photo: GSA

Page 16:

**Saint Elizabeth's Hospital  
Washington, D.C.**

photo: GSA

Page 41:

Top:

**U.S. General Services Administration Minority-  
Owned Small Business Conference  
circa 1976**

photo: GSA

Left:

**U.S. General Services Administration surplus  
property auction sale  
circa 1962**

photo: GSA

Right:

**U.S. General Services Administration  
Telecommunications Employees at Work  
circa 1979**

photo: GSA

Page 42:

**Modern Credit Card**

photo: Shutterstock.com

Page 43:

**Gerard Badorrek, U.S. General Services  
Administration Chief Financial Officer**

photo: GSA

Page 101:

Top:

**U.S. General Services Administration Motor Pool  
Garage  
1981**

photo: GSA

Left:

**U.S. General Services Administration Technician  
Monitoring Electric Typewriters  
circa 1980**

photo: GSA

Right:

**Mechanic testing a GSA Motor Fleet Vehicle with  
an Electronic Engine Analyzer  
circa 1979**

photo: GSA

Page 102:

**Components of Information Technology**

photo: Shutterstock.com





## **U.S. General Services Administration**

1800 F Street, NW  
Washington, DC 20405

**[gsa.gov/annualreports](https://gsa.gov/annualreports)**

